UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 69816 / June 21, 2013

INVESTMENT ADVISERS ACT OF 1940
Release No. 3618 / June 21, 2013

INVESTMENT COMPANY ACT OF 1940
Release No. 30565 / June 21, 2013

ADMINISTRATIVE PROCEEDING
File No. 3-15004

In the Matter of **JASON A. D'AMATO** **Respondent.**	**ORDER MAKING FINDINGS AND IMPOSING A CIVIL PENALTY, REMEDIAL SANCTIONS, AND A CEASE-AND-DESIST ORDER PURSUANT TO SECTIONS 15(b) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, SECTIONS 203(f) AND (k) OF THE INVESTMENT ADVISERS ACT OF 1940, AND SECTION 9(b) OF THE INVESTMENT COMPANY ACT OF 1940**

I.

On August 31, 2012, the Securities and Exchange Commission ("Commission") issued an Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934, Sections 203(f) and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940, and Notice of Hearing against Jason A. D'Amato ("Respondent" or "D'Amato").

II.

In connection with these proceedings, D'Amato has submitted an Offer of Settlement (the "Offer"), which the Commission has determined to accept. Solely for the purpose of settling these proceedings and any other proceedings brought by or on behalf of the Commission or in which the Commission is a party, D'Amato consents to the Commission's jurisdiction over him and the subject matter of these proceedings and to the entry of this Order Making Findings and Imposing a Civil Penalty, Remedial Sanctions, and a Cease-and-Desist Order Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934, Sections 203(f) and (k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940 ("Order"), as set forth below.

III.

On the basis of this Order and D'Amato's Offer, the Commission finds[1] that:

Respondent

1. D'Amato is 39 years old and lives in Katy, Texas. From May 2003 through February 2009, D'Amato served in various roles for Stanford Group Company ("SGC") and Stanford Capital Management, L.L.C. ("SCM"), including: (i) President of SCM (Sep. 2008 – Feb. 2009); (ii) Senior Investment Officer of SCM (Dec. 2007 – Sep. 2008); (iii) Director of the Investment Advisory Group at SCM (Sep. 2006 – Dec. 2007) and at SGC (Nov. 2005 – Sep. 2006); and (iv) Assistant Analyst in SGC's Investment Advisory Group (May 2003 – Nov. 2005). From November 2005 through at least September 2008, D'Amato managed a proprietary mutual fund wrap program called Stanford Allocation Strategies ("SAS") for SCM and SGC. During this time, D'Amato made all investment decisions for each of the program's strategies (income, balanced income, balanced, balanced growth, and growth). From the time he left SGC and SCM in February 2009 until the Fall of 2012, D'Amato worked as: (i) the Chief Investment Officer of a Houston, Texas-based investment adviser registered with the State of Texas; (ii) a registered representative of a Houston, Texas-based broker-dealer registered with the Commission; and (iii) an affiliated person of a Houston, Texas-based investment adviser registered with the Commission.

Other Relevant Entities

2. SCM, a Delaware limited liability company, was an investment adviser registered with the Commission from September 2006 through September 2009. On February 17, 2009, U.S. District Judge Reed O'Connor appointed a receiver to take control of and manage SCM. As of its last pre-receivership filing with the Commission, SCM had nearly $1.7 billion in assets under management. SCM executed a sub-advisory agreement with SGC, pursuant to which it provided investment advice for the investment products offered and sold by SGC, including SAS.

3. SGC, a Texas corporation headquartered in Houston, Texas, has been dually-registered with the Commission as a broker-dealer and investment adviser since October 1995. As of November 20, 2012, SGC was still registered with the Commission, as the Receiver continues to wind down its business. SGC's principal business consisted primarily of sales of Stanford International Bank-issued securities (self-styled as certificates of deposit) and the SAS mutual fund wrap program managed by SCM. SAS clients contracted directly with SGC.

[1] The findings herein are made pursuant to Respondent D'Amato's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Background

4. In 2000, SGC began offering a mutual fund allocation program known as Mutual Fund Partners ("MFP") through its Investment Advisory Group ("IAG"). The MFP program offered several different strategies depending on an investor's risk threshold and investment objectives. Throughout the program's history, there were as many as ten and as few as five different strategies, including income, balanced income, balanced, balanced growth, and growth.

5. In May 2003, SGC hired D'Amato to be an assistant analyst in IAG to, among other things, track and calculate the performance of each MFP strategy and create personalized proposals ("Pitchbooks") for SGC financial advisers ("FAs") to use in one-on-one presentations to prospective clients. The substance and length of the Pitchbooks evolved over time, but nearly every version contained charts showing the performance of each strategy dating back to 2000. The charts were variously labeled "Hypothetical Performance," "Hypothetical Historical Performance," or "Model Performance." Regardless of the label, the actual data in the Pitchbooks remained consistent.

6. In or around September 2004, D'Amato calculated the performance returns for each MFP strategy by backtesting existing allocations in each strategy against historical market data for the previous five years (i.e., if a client held a particular allocation of mutual funds from 2000 through September 2004, this is how it *would have* performed). IAG presented these returns in charts in the Pitchbooks and compared them to the S&P 500 returns for the same time period. As shown below for the period of 2000 to 2005, the backtested models consistently outperformed the S&P 500 by an overwhelming percentage:

Calendar Year Return

	2005	**2004**	**2003**	**2002**	**2001**	**2000**
SAS Growth	12.09%	16.15%	32.84%	-3.33%	4.32%	18.04%
S&P 500	4.91%	10.88%	28.68%	-22.10%	-11.88%	-9.11%

7. In November 2005, D'Amato became the Director of the IAG and the portfolio manager for the MFP program. In March 2006, IAG changed the name of the program from MFP to SAS. In September 2006, IAG separated from SGC and formed SCM. D'Amato continued to manage the SAS program, making the investment decisions for each of the SAS portfolios.

8. In or around October 2006, several SGC FAs expressed "serious concerns" to SCM's senior management about the performance returns presented in SAS Pitchbooks. The FAs complained that none of their clients had achieved the returns that SCM touted. As a result, SCM hired a performance reporting consultant to identify the disconnect between the returns presented in the Pitchbooks and the returns achieved in actual SAS accounts. For at least 2005 and 2006, the consultant concluded that: (i) actual returns earned by SAS clients were, in most cases, hundreds of basis points lower than the returns published in the Pitchbooks; and (ii) D'Amato and his team of analysts did not keep sufficient records to show contemporaneous changes in each of the SAS

strategies prior to 2005, so the consultant could not verify the advertised performance numbers before 2005.

9. Despite the consultant's findings, some SCM senior managers and SGC FAs wanted to continue using previously published performance data for 2000 through 2004 so they could market the SAS program with a seven-year track record. While performance data for 2000 through 2004 could not be verified, SCM management chose to continue using those figures in the Pitchbooks. At a meeting in March 2007, SGC's Executive Director and several SGC FAs learned from SCM senior management that SAS Pitchbooks would include unverified performance data for 2000 through 2004 directly alongside audited, composite performance data for 2005 and later years. By the end of May 2007, SGC began distributing Pitchbooks, prepared by SCM, to prospective SAS clients that contained these divergent sets of performance data and that included the following end-of-Pitchbook disclosure:

> The SAS Composite for the Income, Balanced Income, Balanced, Balanced Growth, Growth, and Equity/Alternative strategies have been audited and verified by [consultant's entity] from first quarter 2005. Previous performance figures have not been audited and SCM does not represent that this information is accurate, current, or complete and it should not be relied upon as such.

10. Notwithstanding the disclosure, the revised Pitchbooks were deficient in several significant respects. First, neither SGC nor SCM could locate records or documentation to support the advertised performance data for 2000 through 2004. Neither entity disclosed this fact in the Pitchbooks. Second, the label used to describe the data changed from "hypothetical performance" to "historical performance." This label was inaccurate and misleading because the term "historical performance" suggested that the entire set of data represented actual performance achieved by SAS clients. In fact, the 2000 to 2004 performance data was calculated by backtesting allocations against historical market data, while the 2005 to 2008 returns represented audited, composite data that accurately reflected returns earned by actual SAS clients. Last, the unaudited, unverified data from 2000 to 2004 was blended with audited, composite data from 2005 to 2008 to create 5-year, 7-year, and since-inception annualized returns. This misleading performance data was published directly alongside actual year-to-date, 1-year, and 3-year performance information, without any explanation that the data listed in the 5-year, 7-year, and since inception periods: (i) represented a blend of hypothetical performance data and audited, composite data, and (ii) was inflated because the 2000 to 2004 data materially skewed the overall performance. For example, in a 2008 Pitchbook, SCM presented SAS results in the following manner:

Annualized Returns
(not annualized if less than one year)

	YTD	1 year	3 years	5 years	7 years	Since inception
SAS Growth	-7.44%	0.80%	9.36%	15.31%	11.03%	12.30%
S&P 500	-9.44%	-5.08%	5.85%	11.32%	3.70%	2.45%

11. D'Amato knew that:

i. the 2000 to 2004 performance data for the SAS program was calculated differently than the 2005 to 2008 data;

ii. labeling the blended data as "historical performance" was misleading; and

iii. SAS performance history was material to an FA's clients.

12. D'Amato frequently participated in presentations of the SAS program to clients, prospective clients, and FAs being recruited to join SGC. After May 2007, D'Amato used Pitchbooks – and recruit packets for the FA recruits – that contained "Historical Performance" figures for the SAS program that merged and blended audited, composite returns for 2005 and subsequent years with hypothetical, backtested returns for 2000 to 2004. The Pitchbooks also contained an incomplete and misleading disclosure about the performance figures.

13. As a representative of registered investment advisers (SGC and SCM) that recommended advisory products like SAS to clients for a fee, D'Amato owed a duty to exercise the utmost good faith in dealing with clients, a duty to disclose all material facts, a duty to employ reasonable care to avoid misleading clients, and a duty to disclose all conflicts of interest.

14. D'Amato did not disclose to clients, prospective clients, SGC FAs, and FA recruits that the performance data presented in the Pitchbooks was: (i) a combination of hypothetical, backtested data and audited, composite numbers; and (ii) not accurately labeled as "historical performance." Further, D'Amato omitted to disclose that SCM could not locate records to support the published SAS performance numbers for 2000 through 2004.

D'Amato Misrepresented His Credentials

15. At least as early as February 2005, D'Amato began misrepresenting himself to co-workers, clients, prospective clients, SGC FAs, and FA recruits as a Chartered Financial Analyst ("CFA").[2] D'Amato was not, and has never been, a CFA charterholder. Nonetheless, D'Amato purposely used the CFA designation in his e-mail signature block on thousands of e-mails and on his business cards. To perpetuate this lie, D'Amato fabricated an e-mail that he purportedly received from the CFA Institute that congratulated him on passing the Level III CFA exam and on achieving charterholder status. In fact, D'Amato failed the CFA Level I exam the first and only time he took it.

16. D'Amato then passed along this fabricated e-mail to SGC's human resources department, who in turn passed it along to SGC's compliance department. SGC and SCM – the entities that employed D'Amato before and after September 2006, respectively – failed to verify

[2] The CFA charter is conferred upon a candidate by the CFA Institute after the candidate passes three exams: Level I, Level II, and Level III. A CFA candidate cannot take the Level III exam without first passing the Levels I and II exams.

D'Amato's credentials. Instead, based solely on D'Amato's misrepresentations and his fabricated e-mail, SGC and SCM actively promoted and marketed D'Amato as a CFA to prospective and existing clients, SGC FAs, and FA recruits, as follows:

i. listing D'Amato as a CFA charterholder in his bio on their websites;

ii. furnishing copies of D'Amato's bio to SGC FAs to provide to prospective and existing clients to introduce them to D'Amato and to tout his qualifications;

iii. routinely including a copy of D'Amato's bio in formal responses to Requests for Proposal ("RFPs") from larger investors such as institutions, endowments, and foundations;

iv. representing D'Amato as a CFA charterholder on Schedule H of various iterations of SCM's Form ADV Part IIs from December 28, 2007 to August 28, 2008; and

v. introducing and presenting D'Amato as a CFA charterholder in the various presentations and pitches to clients, prospective clients, and FA recruits in which he was involved.

17. In a span of five years, D'Amato ascended from the role of assistant analyst to President of SCM. In announcing D'Amato's promotion to SCM President, SGC's President credited D'Amato with: (i) increasing assets under management ("AUM") in SAS from less than $10 million in 2004 to $1.2 *billion* by the end of 2008, and (ii) generating $25 million in SAS management fees in 2007 and 2008 alone.

18. D'Amato's compensation structure was tied in part to the AUM in the advisory programs that he managed, including SAS, and the amount of management fees that SGC and SCM derived therefrom.

Violations

19. As a result of the conduct described above, D'Amato willfully violated, and willfully aided and abetted and caused SGC's violation of, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

20. As a result of the conduct described above, D'Amato willfully aided and abetted and caused SGC's violations of Sections 206(1) and 206(2) of the Advisers Act, which prohibit fraudulent conduct by an investment adviser.

21. As a result of the conduct described above, D'Amato willfully aided and abetted and caused SCM's violations of Section 207 of the Advisers Act, which requires that filings by

advisers be accurate when filed with the Commission and prohibits any untrue statement of a material fact in any registration application or report.

IV.

In view of the foregoing, the Commission deems it appropriate, in the public interest, and for the protection of investors to impose the sanctions agreed to in D'Amato's Offer.

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

A. D'Amato 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, and Sections 206(1), 206(2), and 207 of the Advisers Act.

B. D'Amato be, and hereby is:

> barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal adviser, transfer agent, or nationally recognized statistical rating organization;
>
> 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; and
>
> barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

With the right to apply for reentry after five (5) years to the appropriate self-regulatory organization, or if there is none, to the Commission.

C. Any reapplication for association by D'Amato 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 D'Amato, 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 the 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 the 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 the Commission order.

D. D'Amato shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of $50,000 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. 3717. Payment must be made in one of the following ways:

i. D'Amato may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;[3]

ii. D'Amato may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

iii. D'Amato may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Jason A. D'Amato as the Respondent in these proceedings, and File No. 3-15004 as the file number of these proceedings; a copy of the cover letter and check or money order must be sent to David Peavler, Associate Director, Division of Enforcement, Securities and Exchange Commission, 801 Cherry Street, Suite 1900, Fort Worth, TX 76102.

E. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended, a Fair Fund is created for the civil penalty referenced in paragraph D above. Regardless of whether any such Fair Fund distribution is made, amounts ordered to be paid as a civil money penalty pursuant to this Order shall be treated as a penalty paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, D'Amato agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of D'Amato's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, D'Amato agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a

[3] The minimum threshold for transmission of payment electronically is $50,000.00 as of April 1, 2012. This threshold will be increased to $100,000.00 by December 31, 2012. For amounts below this threshold, D'Amato must make payments pursuant to option (ii) or (iii) above.

"Related Investor Action" means a private damages action brought against D'Amato by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

F. All funds paid by D'Amato pursuant to this Order shall be transferred to the Receiver appointed in *SEC v. Stanford International Bank, Ltd., et al.*, Civil Action No. 3:09-cv-0298 (Northern District of Texas, Dallas Division) to be distributed for the benefit of investor victims according to a distribution plan to be approved by the court in that litigation.

By the Commission.

Elizabeth M. Murphy
Secretary