

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 70759 / October 28, 2013

INVESTMENT ADVISERS ACT OF 1940
Release No. 3707 / October 28, 2013

INVESTMENT COMPANY ACT OF 1940
Release No. 30767 / October 28, 2013

ADMINISTRATIVE PROCEEDING
File No. 3-15590

In the Matter of

**Further Lane Asset
Management, LLC,
Osprey Group, Inc., and Jose
Miguel Araiz a/k/a Joseph
Michael Araiz**

Respondents.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS,
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934,
SECTIONS 203(e), 203(f) AND 203(k) OF THE
INVESTMENT ADVISERS ACT OF 1940, AND
SECTION 9(b) OF THE INVESTMENT
COMPANY ACT OF 1940, MAKING
FINDINGS, AND IMPOSING REMEDIAL
SANCTIONS AND A CEASE-AND-DESIST
ORDER**

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 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”), Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Further Lane Asset Management, LLC (“FLAM”), Osprey Group, Inc. (“OGI”), and Jose Miguel Araiz a/k/a Joseph Michael Araiz (“Araiz”) (collectively, “Respondents”).

II.

In anticipation of the institution of these proceedings, 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 over them and over the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondents’ Offers, the Commission finds that:

Summary

1. FLAM, a registered investment adviser, and Araiz, FLAM’s principal owner and Chief Executive Officer, advised Windmill Fund Multi Strategy Fund, LP (“Windmill Fund”), a \$2 million fund-of-funds. As a result of an in-kind redemption of a Windmill Fund investment in an underlying fund, Araiz and FLAM caused Windmill Fund to acquire a promissory note from an entity owned by Araiz. Windmill Fund’s governing documents did not disclose, and neither Araiz nor FLAM informed investors in writing prior to the in-kind redemption, that Windmill Fund might acquire related party promissory notes or otherwise materially deviate from its fund-of-funds investment strategy. Araiz and FLAM subsequently caused Windmill Fund to invest in a second promissory note (with a non-affiliated entity) without written disclosure to Windmill Fund investors.

2. In addition, Araiz, FLAM, and OGI, an affiliated unregistered investment adviser, engaged in securities transactions with advisory clients on a principal basis through Further Lane Securities LP (“FLS”), FLAM’s and OGI’s affiliated broker-dealer, without providing prior written disclosure to, or obtaining consent from, the clients.

3. Further, although FLAM maintained custody of assets of hedge funds that FLAM managed, Araiz and FLAM failed to arrange for an annual surprise examination to verify the funds’ assets or for fund investors to receive account statements at least quarterly from the funds’ qualified custodian, in violation of the Advisers Act’s custody rule.

4. FLAM also failed to adopt and implement written policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder. Finally, Araiz and FLAM failed to maintain certain books and records. Araiz aided and abetted and caused these violations.

Respondents

5. Araiz, age 52, is a resident of New York, New York. During the relevant period, Araiz was the President, Chief Executive Officer, and Chief Compliance Officer of FLAM and FLS. Araiz owns 99% of FLAM and 100% of OGI, Osprey Opportunity Fund, GP, LLC (“Osprey GP”), Toro Total Return Fund GP, LLC (“Toro GP”) and Osprey Securities Corp. (“OSC”). Araiz, directly and through OSC, owns 100% of FLS. Araiz controls FLAM and OGI and makes investment decisions on behalf of these advisers.

6. FLAM is a New York limited liability company headquartered in New York, New York, with offices in East Hampton, New York and San Francisco, California. FLAM has been registered with the Commission as an investment adviser since September 2000. As of April 1, 2013, FLAM had approximately \$85 million in assets under management. FLAM serves or has served as the investment adviser to three hedge funds –Windmill Fund, Manta Ray Strategic Income Fund, LP (“Manta Ray Fund”), and Toro Total Return Fund, LP (“Toro Fund”). FLAM also provides advisory services to individuals and entities who maintain separately managed accounts (collectively, “Separate Advisory Accounts”).

7. OGI is a Delaware corporation headquartered in New York, New York at the same premises as FLAM. OGI is an unregistered investment adviser related to and under common control with FLAM, which manages Osprey Opportunity Fund, LP (“Osprey Fund”), a hedge fund.

Other Relevant Entities

8. FLS is a Delaware limited partnership headquartered in New York, New York at the same premises as FLAM. FLS is a FINRA member firm and has been registered with the Commission as a broker-dealer since 1995. FLS is the introducing broker for all Separate Advisory Account clients of FLAM. Separate Advisory Accounts are custodied with an external clearing broker-dealer.

9. OSC is a Delaware corporation headquartered in New York, New York at the same premises as FLAM. Araiz owns OSC which, in turn, owns 95% of FLS.

10. Osprey GP (f/k/a Osprey Group Asset Management LLC) is a Delaware limited liability company headquartered in New York, New York at the same premises as FLAM. Araiz owns 100% of Osprey GP.

11. Toro GP is a Delaware limited liability company headquartered in New York, New York at the same premises as FLAM. Araiz owns 100% of Toro GP.

12. Osprey Fund is a Delaware limited partnership formed in 2000. Osprey Fund is a hedge fund and OGI serves as its investment adviser and Osprey GP as its general partner. During the relevant period, Osprey Fund had approximately 50 investors, including Araiz and his wife, and \$60 million in assets.

13. Windmill Fund is a Delaware limited partnership formed in 2005. Windmill Fund is a hedge fund and FLAM serves as its investment adviser and general partner. During the relevant period, Windmill Fund had approximately 15 investors, including Araiz and his wife, and \$2 million in assets.

14. Manta Ray Fund was a Delaware limited partnership formed in 2007 that is now in the final process of liquidation. Manta Ray Fund was a hedge fund and FLAM served as its investment adviser and general partner. During the relevant period, Manta Ray Fund had approximately 10 investors, including Araiz's wife, and \$2 million in assets.

15. Toro Fund is a Delaware limited partnership formed in 2008. Toro Fund is a hedge fund and FLAM serves as its investment adviser and Toro GP as its general partner. During the relevant period, Toro Fund had approximately 20 investors, including Araiz's wife, and \$8 million in assets.

The Commission's Office of Compliance Inspections and Examinations Issued FLAM a Deficiency Letter in 2003

16. In September 2003, following an examination of FLAM by the Commission's Office of Compliance Inspections and Examinations ("OCIE"), the OCIE staff issued a deficiency letter to FLAM addressed to Araiz ("2003 Deficiency Letter"). The 2003 Deficiency Letter advised FLAM that if it was deemed to have custody of a client's assets and securities and did not comply with the provisions outlined in certain no-action letters, FLAM would be subject to all of the requirements of Section 206(4) of the Advisers Act and Rule 206(4)-2 thereunder, including, among other things, the requirement to undergo an annual surprise examination by an independent public accountant.

17. In addition, the letter cited FLAM for undisclosed principal transactions, and noted that, "[i]n the future, FLAM should obtain the consent of its clients to each principal transaction prior to settlement date and provide its clients with the written disclosure required by Section 206(3) of the Advisers Act[.]"

Araiz and FLAM Engaged in Related Party Transactions and Made Material Changes in Windmill Fund's Trading Strategy

18. Araiz and FLAM provided investors in Windmill Fund with the fund's February 2006 private placement memorandum ("PPM"). The PPM described the fund as a "fund-of-funds" that would invest in other hedge funds or alternative investment vehicles, including in affiliated hedge funds. The PPM disclosed that while FLAM did not expect to invest Windmill Fund assets in other securities, FLAM had the authority to make such investments if they were "attractive and consistent with the [Windmill Fund's] overall strategy" (i.e., as a fund-of-funds).

19. In or about October 2008, as a result of an in-kind redemption of a Windmill Fund investment in an underlying fund, Araiz and FLAM caused Windmill Fund to

acquire a \$772,668 promissory note (the “OSC Promissory Note”) issued by OSC, an entity owned by Araiz. The OSC Promissory Note had an initial maturity date of October 1, 2010 – which Araiz and FLAM subsequently extended to October 1, 2012 – and earned interest at a rate between 4.5% and 5.5% per annum. Windmill Fund’s PPM did not disclose, and neither Araiz nor FLAM informed investors in writing, that Windmill Fund might acquire related party promissory notes or otherwise materially deviate from its fund-of-funds investment strategy.

20. In or about October 2009, Araiz and FLAM provided Windmill Fund investors with a document (“Tear Sheet”). In the “Fund Strategy” section, the Tear Sheet described Windmill Fund as a “fund of alternative investments” and disclosed that the fund would “use a blend of hedge funds, mutual funds, and ETF’s [sic] to attain optimal returns with reduced risks.” The Tear Sheet compared the performance of Windmill Fund to that of the HFRI Fund of Funds Composite Index. Notwithstanding that the OSC Promissory Note represented approximately 30% of the fund’s assets, neither Araiz nor FLAM provided written disclosure to Windmill Fund investors that they had materially changed the fund’s investment strategy or that the fund had acquired a promissory note issued by an affiliated entity.

21. FLAM, in its capacity as adviser to Windmill Fund, earned an annual management fee from the fund. FLAM received total management fees of \$25,256 attributable to Windmill Fund’s investment in the OSC Promissory Note.

22. OSC made payments on the OSC Promissory Note from time to time, with the final payment of principal and accrued interest occurring in December 2012.

23. Separately, in or about November 2011, Araiz and FLAM caused Windmill Fund to acquire a \$550,000 promissory note from a non-affiliated entity (the “Non-Affiliated Promissory Note”). By December 31, 2011, the OSC Promissory Note and the Non-Affiliated Promissory Note collectively constituted approximately 58% of Windmill Fund’s assets. Taken together, these investments thus constituted a material change in the fund’s investment strategy – from a fund-of-funds to a fund that invested primarily in fixed-income instruments – that was inconsistent with the overall strategy disclosed in the PPM.

FLAM and OGI Engaged in Undisclosed Principal Transactions with Advisory Clients Without Consent

24. From at least August 2008 through July 2012, FLAM and OGI, through FLS, engaged in fixed-income transactions on a principal basis, without providing prior written disclosure to, or obtaining advisory clients’ consent for, such transactions.

25. First, FLAM engaged in transactions through FLS on behalf of the Separate Advisory Accounts without providing prior written disclosure to, or obtaining consent from, the Separate Advisory Accounts.

26. Second, FLAM and OGI engaged in transactions through FLS on behalf of hedge fund clients – Toro Fund, Manta Ray Fund, and Osprey Fund – without written disclosure to

or consent from all fund investors. The limited partnership agreements for these hedge funds each contained a provision prohibiting FLAM and OGI from “buy[ing] securities (and/or other investments) from or sell[ing] securities (and/or other investments) to [the applicable fund], without the written consent of all [fund investors].” Despite this specific prohibition in the funds’ limited partnership agreements, FLAM, the investment adviser to Toro Fund and Manta Ray Fund, and OGI, the investment adviser to Osprey Fund, failed to notify and obtain written consent from the funds’ investors to engage in principal transactions on behalf of the funds.

27. Araiz, as FLAM’s 99% owner, President, Chief Executive Officer and Chief Compliance Officer and as OGI’s controlling principal, failed to ensure that FLAM and OGI complied with the Advisers Act and the rules thereunder when the firm engaged in principal transactions with advisory clients.

28. FLS earned markups and markdowns of at least \$312,760 on the undisclosed principal transactions.

Araiz and FLAM Violated the Custody Rule

29. Araiz and FLAM failed to comply with Section 206(4) of the Advisers Act and Rule 206(4)-2 thereunder. FLAM had custody of funds and securities of its clients, both through FLAM’s physical possession of the promissory notes and through FLAM and its affiliates serving as general partners of Windmill Fund, Manta Ray Fund and Toro Fund. FLAM failed to form a reasonable belief that a qualified custodian was sending account statements to fund investors at least quarterly. Nor was FLAM subject to an annual surprise examination for the years 2008 through 2011.

30. Araiz, as FLAM’s 99% owner, President, Chief Executive Officer and Chief Compliance Officer, failed to ensure that FLAM complied with Section 206(4) of the Advisers Act and Rule 206(4)-2 thereunder.

FLAM’s Form ADV Disclosures Were Inaccurate

31. FLAM’s Form ADV Parts I and II included inaccurate statements concerning FLAM’s advisory business. Specifically, in its Part I from May 14, 2009 through June 7, 2012, FLAM stated that it did not have custody of client assets or securities (Item 9), notwithstanding FLAM’s custody of Windmill Fund’s funds and securities. Similarly, in its Part II from September 6, 2009 through March 31, 2011, FLAM stated that “[i]n no instance will FLS act as principal in transactions involving [FLAM’s] managed accounts[.]” (Item 9), notwithstanding the fact that FLS did engage in such transactions on behalf of the Separate Advisory Accounts.

32. Araiz, as FLAM’s 99% owner, President, Chief Executive Officer and Chief Compliance Officer, was responsible for FLAM’s Form ADV disclosures. Araiz signed FLAM’s Form ADV Part I.

FLAM Failed to Adopt and Implement Written Policies and Procedures Reasonably Designed to Prevent Violations of the Advisers Act and the Rules Thereunder

33. FLAM failed to comply with the requirement in Rule 206(4)-7 of the Advisers Act that every Commission-registered investment adviser adopt and implement written policies and procedures reasonably designed to prevent violation of the Advisers Act and the rules thereunder. FLAM also failed to comply with Rule 206(4)-7's mandate that it review no less than annually the adequacy of such policies and procedures and the effectiveness of their implementation, including whether such policies and procedures accurately reflected FLAM's business and whether changes in the Advisers Act or applicable regulations might require changes to its policies or procedures.

34. FLAM's compliance manual – which FLAM had adopted in July 2003 (the "2003 Manual") – was materially outdated and did not contain policies and procedures sufficient to address FLAM's specific compliance risks, including, for example, the supervision of remote offices. (FLAM has its headquarters in New York and an office in California.) In addition, in 2011, FLAM did not conduct an annual review of the policies and procedures to prevent violation of the Advisers Act and the rules thereunder.

35. Araiz, as FLAM's 99% owner, President, Chief Executive Officer and Chief Compliance Officer, failed to ensure that FLAM adopted and implemented written policies and procedures specifically designed for FLAM's advisory business, and that FLAM performed a review of such policies and procedures to ensure the effectiveness of their implementation at least annually.

Failure to Maintain Books and Records as Required by the Advisers Act and the Rules Thereunder

36. FLAM failed to maintain certain books and records as mandated by Section 204(a) of the Advisers Act and Rule 204-2 thereunder. Specifically, FLAM failed to maintain certain order tickets, correspondence with clients, contracts related to the firm's business and custody records, as required by Rules 204-2(a)(3), (a)(7), (a)(10) and (a)(17), respectively.

37. Araiz, as FLAM's 99% owner, President, Chief Executive Officer and Chief Compliance Officer, failed to ensure that FLAM maintained such records as required by the Advisers Act and rules thereunder.

Violations

38. As a result of the conduct described above, Araiz and FLAM willfully¹ violated Section 206(2) of the Advisers Act, which prohibits an investment adviser from engaging in any transaction, practice, or course of business which operates as a fraud or deceit upon a client or prospective client. Proof of scienter is not required to establish a violation of Section 206(2) of the Advisers Act but, rather, may rest on a finding of simple negligence. *SEC v. Steadman*, 967 F.2d 636, 643 n.5 (D.C. Cir. 1992) (citing *SEC v. Capital Gains Research Bureau, Inc.*, 375 U.S. 180, 195 (1963)).

39. As a result of the conduct described above, FLAM and OGI willfully violated, and Araiz willfully aided and abetted and caused FLAM's and OGI's violations of, Section 206(3) of the Advisers Act, which prohibits an investment adviser from, directly or indirectly, "acting as principal for his own account, knowingly to sell any security or to purchase any security from a client ... without disclosing to such client in writing before the completion of such transaction the capacity in which he is acting and obtaining the consent of the client to such transaction."

40. As a result of the conduct described above, Araiz and FLAM willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder. Section 206(4) prohibits investment advisers from engaging in "any act, practice, or course of business which is fraudulent, deceptive or manipulative," as defined by the Commission by rule. Rule 206(4)-8 prohibits an investment adviser to a "pooled investment vehicle" – such as Windmill Fund – from, directly or indirectly, making false or misleading statements to investors or prospective investors in those pools, and from otherwise defrauding investors or prospective investors. A violation of Section 206(4) and the rules thereunder does not require scienter. *Steadman*, 967 F.2d at 647.

41. As a result of the conduct described above, FLAM willfully violated, and Araiz willfully aided and abetted and caused FLAM's violations of, Section 206(4) of the Advisers Act and Rule 206(4)-2 thereunder. Before the amendment of Rule 206(4)-2, effective March 12, 2010, Rule 206(4)-2 provided, in pertinent part, that it constituted a fraudulent, deceptive, or manipulative act, practice, or course of business within the meaning of Section 206(4) for any registered investment adviser to have custody of client funds or securities unless, among other things, the adviser had a reasonable basis for believing that a qualified custodian was sending quarterly account statements to each of the clients for which it maintained funds or securities, or to each beneficial owner of a pooled investment vehicle, identifying the amount of funds, and of each security in the account at the end of the period and setting forth all transactions in the account

¹ A willful violation of the securities laws means merely "that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)).

during the period.² The pre-amendment rule also provided that, if the adviser sent the quarterly account statements itself, an independent public accountant generally must verify all of the client funds and securities by actual examination at least once during each calendar year on a date chosen by the accountant without prior notice to the investment adviser (a “surprise examination”).³ During the relevant period, however, investors in Windmill Fund, Manta Ray Fund and Toro Fund were never sent quarterly account statements from a qualified custodian containing information about the funds’ accounts, and FLAM was not subject to an annual surprise examination.

42. As a result of the conduct described above, FLAM willfully violated, and Araiz willfully aided and abetted and caused FLAM’s violations of, Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder, which requires an investment adviser registered with the Commission to adopt and implement written policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder by the adviser and its supervised persons, and requires at least annual reviews of the adequacy of such policies and procedures and the effectiveness of their implementation.

43. As a result of the conduct described above, FLAM willfully violated, and Araiz willfully aided and abetted and caused FLAM’s violations of, Section 204(a) of the Advisers Act and Rules 204-2(a)(3), 204-2(a)(7), 204-2(a)(10) and 204-2(a)(17) thereunder, which require investment advisers registered with the Commission to maintain and preserve certain books and records. Rule 204-2(a)(3) requires registered investment advisers to “make and keep true, accurate and current ...memorand[a] of each order given by the investment adviser for the purchase or sale of any security” Rule 204-2(a)(7) requires registered investment advisers “make and keep true, accurate and current ... [o]riginals of all written communications received and copies all written communications sent by such investment adviser relating to ... any recommendation made or proposed to be made and any advice given or proposed to be given” Rule 204-2(a)(10) requires registered investment advisers to “make and keep true, accurate and current ...[a]ll written

² The amended Rule 206(4)-2 is not materially different than the pre-amendment rule with respect to the custody violations at issue in this matter, except to the extent that the requirements were generally made more stringent. For example, under the amended rule, an adviser may no longer send its own account statements to clients in lieu of having a qualified custodian send quarterly statements to clients or to investors in a pooled investment vehicle (which the adviser could do under the pre-amendment rule if it was subject to a surprise examination each year). Under the amended rule, an adviser generally must be subject to an annual surprise examination and have a reasonable basis for believing that the qualified custodian is sending quarterly statements.

³ Both the pre- and post-amendment Rule 206(4)-2(b) provided similar exceptions from the surprise examination and quarterly account statement requirements for a pooled investment vehicle if certain criteria are met, including, among other things, an annual audit of the pool by an independent public accountant and delivery of audited financial statements to investors in the vehicle. These provisions, however, do not apply because Windmill Fund, Manta Ray Fund and Toro Fund were not audited.

agreements (or copies thereof) entered into by the investment adviser ... relating to the business of the investment adviser.” Rule 204-2(a)(17) requires registered investment advisers to maintain “[a] copy of any internal control report obtained or received pursuant to [the custody rule].”

44. As a result of the conduct described above, Araiz and FLAM willfully violated Section 207 of the Advisers Act, which makes it unlawful for any person willfully to make any untrue statement of a material fact in any registration application or report filed under the Advisers Act or willfully to omit to state in any such application or report any material fact which is required to be stated therein.

Respondents’ Remedial Efforts

45. In determining to accept the Offers, the Commission considered remedial acts undertaken by Respondents and cooperation afforded the Commission staff. During the OCIE staff’s examination, Respondents worked with outside counsel and an external consultant to begin addressing the deficiencies that were raised by the OCIE staff. Thereafter, Respondents retained a second external compliance consultant and hired a new, internal Chief Compliance Officer (“CCO”). The new CCO conducted a comprehensive review of FLAM’s compliance program and worked with FLAM, the second external consultant, and outside counsel to continue the remediation of the compliance program and institute supervisory and management controls. The CCO prepared a report in February 2013, detailing her work, findings, and recommendations.

Undertakings

46. Respondent FLAM undertakes to take the following actions set forth in paragraphs 47 through 51, as applicable:

47. Chief Compliance Officer and Compliance Consultant. FLAM will continue to retain the second external consultant, or another consultant not unacceptable to Commission staff, to assist it and the CCO in implementing the CCO’s recommendations, including, but not limited to, providing assistance in:

- a. implementing new compliance policies and procedures;
- b. implementing a new supervisory framework and internal controls; and
- c. conducting an annual review for the years ending December 31, 2013 and December 31, 2014, to assess the adequacy and effectiveness of FLAM’s new policies and procedures.

48. Separation of CCO From Other Officer Positions. For a period of five (5) years from the entry of this Order, FLAM shall employ a CCO, other than Araiz, whose sole responsibility will be to serve as CCO. During this period, the person FLAM designates as CCO shall not simultaneously hold any other officer or employee position at FLAM while serving as CCO.

49. Recordkeeping. FLAM shall preserve for a period of not less than six (6) years from the end of the fiscal year last used, the first two (2) years in an easily accessible place, any record of FLAM's compliance with the undertakings set forth in this Order.

50. Notice to Advisory Clients and Investors. Within ten (10) days of the entry of this Order, FLAM shall post prominently on its principal website a summary of this Order in a form and location acceptable to the Commission staff, with a hyperlink to the entire Order. FLAM shall maintain the posting and hyperlink on its website for a period of twelve (12) months from the entry of this Order. Within thirty (30) days of the entry of this Order, FLAM shall provide a copy of the Order to each of FLAM's existing advisory clients and investors in pooled investment vehicles managed by FLAM as of the entry of this Order via mail, email, or such other method as may be acceptable to the Commission staff, together with a cover letter in a form not unacceptable to the Commission staff. Furthermore, for a period of twelve (12) months from the entry of this Order, to the extent that FLAM is required to deliver a brochure to a client and/or prospective client pursuant to Rule 204-3 of the Advisers Act, FLAM shall also provide a copy of this Order to such client and/or prospective client at the same time that FLAM delivers the brochure.

51. Certifications of Compliance by FLAM. FLAM shall certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and FLAM agrees to provide such evidence. The certification and supporting material shall be submitted to Valerie A. Szczepanik, Assistant Director, Asset Management Unit, Securities and Exchange Commission, 3 World Financial Center, Room 400, New York, New York 10281-1022, or such other address as the Commission staff may provide, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

52. Affidavit of Compliance by Araiz. Araiz shall provide to the Commission staff an affidavit that he has complied fully with the sanctions described in Section IV.G of this Order. The Commission staff may make reasonable requests for further evidence of compliance, and Araiz agrees to provide such evidence. The affidavit shall be submitted to Valerie A. Szczepanik, Assistant Director, Asset Management Unit, Securities and Exchange Commission, 3 World Financial Center, Room 400, New York, New York 10281-1022, or such other address as the Commission staff may provide, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days after the twelve month suspension period described below.

IV.

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

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

A. Respondent FLAM cease and desist from committing or causing any violations and any future violations of Sections 204, 206(2), 206(3), 206(4) and 207 of the Advisers Act and Rules 204-2(a)(3), 204-2(a)(7), 204-2(a)(10), 204-2(a)(17), 206(4)-2, 206(4)-7 and 206(4)-8 promulgated thereunder.

B. Respondent FLAM is censured.

C. Respondent OGI shall cease and desist from committing or causing any violations and any future violations of Section 206(3) of the Advisers Act.

D. Respondent OGI is censured.

E. Respondent Araiz shall cease and desist from committing or causing any violations and any future violations of Sections 204, 206(2), 206(3), 206(4) and 207 of the Advisers Act and Rules 204-2(a)(3), 204-2(a)(7), 204-2(a)(10), 204-2(a)(17), 206(4)-2, 206(4)-7 and 206(4)-8 promulgated thereunder.

F. Respondent Araiz is censured.

G. Respondent Araiz be, and hereby is:

suspended from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent or nationally recognized statistical rating organization for a period of twelve months, effective on the second Monday following the entry of this Order; and

suspended 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 for a period of twelve months, effective on the second Monday following the entry of this Order.

H. Respondent Araiz shall, within ten days of the entry of this Order, pay a civil money penalty in the amount of \$150,000 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

I. Respondents FLAM, OGI, and Araiz shall pay disgorgement of \$338,017 and prejudgment interest of \$9,105, for a total of \$347,122, on a joint and several basis, to the Securities and Exchange Commission. Payments shall be made in the following installments:

- (1) \$25,000 within ten days of the entry of this Order;
- (2) \$161,061 within 180 days of entry of the Order; and
- (3) \$161,061, plus post-judgment interest on the payments described in Sections IV.I.(2) and IV.I.(3) pursuant to SEC Rule of Practice 600, within 360 days of entry of the Order.

Prior to making the payment described in Section IV.I.(3), Respondents shall contact the Commission staff to ensure the inclusion of post-judgment interest. If any payment is not made by the date the payment is required by this Section IV.I, the entire outstanding balance of disgorgement, prejudgment interest, plus any additional interest accrued pursuant to SEC Rule of Practice 600, shall be due and payable immediately, without further application.

J. Payments under this Order must be made in one of the following ways:

- (1) Respondent 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
- (2) Respondent 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 Respondent's name as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Valerie A. Szczepanik, Assistant Director, Asset Management Unit, and to Robert J. Keyes, Associate Regional Director, Securities and Exchange Commission, 3 World Financial Center, Room 400, New York, New York 10281-1022.

K. Respondent FLAM shall comply with the undertakings enumerated in Section III, paragraphs 47 through 51 above.

L. Respondent Araiz shall comply with the undertaking enumerated in Section III, paragraph 52 above.

By the Commission.

Elizabeth M. Murphy
Secretary