

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 73844 / December 16, 2014

INVESTMENT COMPANY ACT OF 1940
Release No. 31375 / December 16, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-16316

In the Matter of

PAUL J. POLLACK and
MONTGOMERY STREET
RESEARCH, LLC,

Respondents.

ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTIONS 15(b) AND 21C OF THE
SECURITIES EXCHANGE ACT OF 1934
AND SECTION 9(b) OF THE
INVESTMENT COMPANY ACT OF 1940,
AND NOTICE OF HEARING

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Paul J. Pollack (“Pollack”) and Montgomery Street Research, LLC (“Montgomery Street”) (collectively, “Respondents”).

II.

After an investigation, the Division of Enforcement alleges that:

A. SUMMARY

1. Pollack, through an entity he solely owns and controls, Montgomery Street, served as an outside consultant to Issuer A, a company quoted on OTC Link that is engaged in the acquisition and development of oil and natural gas reserves. In exchange for services provided to Issuer A, Pollack received various compensation, including more than 600,000 shares of Issuer A common stock.

2. From approximately July 2011 through June 2012, Pollack created a false appearance of market activity in Issuer A's stock by engaging in approximately 100 wash trades through his control of eight brokerage accounts at five broker-dealers. In addition, Respondents acted as unregistered brokers by raising funds on behalf of Issuer A in two private placements. Specifically, in Issuer A's common stock offering and preferred stock offering, Respondents raised over \$2.5 million from 11 investors. Among other things, Respondents identified and solicited potential investors, provided financial information regarding the issuer, fielded investor inquiries, and with respect to the preferred stock offering, they received transaction-based compensation. Throughout their fund-raising for the issuer, Respondents were not registered as brokers nor associated with a registered broker-dealer. By virtue of this conduct, Montgomery Street violated Section 15(a) of the Exchange Act, and Pollack violated Sections 9(a)(1), 10(b) and 15(a) of the Exchange Act and Rules 10b-5(a) and 10b-5(c) thereunder.

B. RESPONDENTS

3. **Paul J. Pollack ("Pollack")**, age 54, resides in Phoenix, Arizona. From approximately 1989 to 2001, Pollack was a registered representative associated with broker-dealers registered with the Commission. However, during the relevant period, Pollack was not registered with the Commission as a broker-dealer or associated with a registered broker-dealer. Pollack participated in an offering of Issuer A stock, which is a penny stock. Issuer A issued 45,000 shares to Pollack.

4. **Montgomery Street Research, LLC ("Montgomery Street")** is a Nevada limited liability company with its principal place of business in Phoenix, Arizona, that purports to provide equity research and consulting services. Pollack formed Montgomery Street in 2005, and he has been its sole owner and managing member since its inception. Montgomery Street is not, and has never been, registered with the Commission in any capacity. Montgomery Street participated in an offering of Issuer A stock, which is a penny stock.

C. OTHER RELEVANT ENTITIES

5. **Bhog Partners, LLC ("Bhog Partners")** is a Wyoming limited liability company that has been solely owned and controlled by Pollack since its formation in March 2012. Bhog Partners has no operations, but rather was created to allow for the deposit and trading of micro-cap stock in brokerage accounts controlled exclusively by Pollack and under Bhog Partners' name. Issuer A issued 200,000 shares to Bhog Partners. Bhog Partners has never been registered with the Commission in any capacity.

6. **Toro Holdings, LLC ("Toro Holdings")** is a Nevada limited liability company that has been solely owned and controlled by Pollack since its formation in 2006. Toro Holdings has no operations, but rather was created to allow for the deposit and trading of micro-cap stock in brokerage accounts controlled exclusively by Pollack and under Toro Holdings name. Issuer A issued 200,000 shares to Toro Holdings. Toro Holdings has never been registered with the Commission in any capacity.

7. **Giddy-Up Partners, LLC (“Giddy-Up Partners”)** is a Nevada limited liability company that has been solely owned and controlled by Pollack since its formation in 2008. Giddy-Up Partners has no operations, but rather was created to allow for the deposit and trading of micro-cap stock in brokerage accounts controlled exclusively by Pollack and under Giddy-Up Partners name. Issuer A issued 220,000 shares to Giddy-Up Partners. Giddy-Up Partners has never been registered with the Commission in any capacity.

D. POLLACK AND MONTGOMERY STREET ACTED AS UNREGISTERED BROKERS

8. In March 2010, Issuer A entered into a letter agreement with Montgomery Street (the “Letter Agreement”) for a three-year term beginning on March 2, 2010. Pursuant to the Letter Agreement, Montgomery Street was to provide “general advice to the Company, its growth strategies, and position within the public capital markets.” In exchange for these services, Montgomery Street was to receive “\$500,000 to be paid in the form of 80,000,000 shares of [Issuer A] Common Stock.” On April 18, 2011, Issuer A declared a 1:100 reverse split of Issuer A stock, changing the number of shares due Montgomery Street under the Letter Agreement from 80,000,000 to 800,000.

9. Notwithstanding the vague characterization of the services contained in the Letter Agreement, Issuer A in fact hired Respondents to raise money and to make introductions to potential investors.

10. Issuer A conducted two private placements of its securities during the three-year term of the Letter Agreement. The first offering was a sale of common stock to raise funds to cover expenses associated with Issuer A’s pursuit of listing on a national exchange. The second offering was a sale of preferred stock and was designed to raise funds to purchase certain assets.

11. From approximately November 2010 through April 2011, Respondents participated in effecting transactions in Issuer A’s common stock through their involvement at key points in the chain of distribution. Pollack, acting on behalf of Montgomery Street, among other things:

- a. Identified prospective investors;
- b. Solicited prospective investors in phone calls, emails, and meetings;
- c. Provided prospective investors with common stock offering materials, including subscription agreements; and
- d. Directed interested investors how to complete Issuer A’s common stock subscription agreement and provide funds to Issuer A.

12. In addition, at Pollack’s direction, an independent contractor serving as an analyst at Montgomery Street (“Analyst A”) described Issuer A’s business plan to potential investors; prepared investment highlights on behalf of Issuer A; distributed models regarding Issuer A’s

financial prospects to potential investors; fielded investor inquiries; and provided wiring instructions to interested investors.

13. Following solicitation by Respondents, nine investors purchased a total of \$445,000 of Issuer A's common stock, constituting 74% of the \$600,000 total amount raised in the offering.

14. From approximately August 2011 through November 2011, Respondents participated in effecting transactions in Issuer A's preferred stock through their involvement at key points in the chain of distribution. Pollack, acting on behalf of Montgomery Street, among other things:

- a. Assisted in formulating key aspects of the offering, including the convertible stock yield, the aggregate amount sought by Issuer A in the offering, and the structure as a preferred stock offering;
- b. Identified prospective investors;
- c. Solicited prospective investors in phone calls, emails, and meetings;
- d. Explained and fielded questions regarding Issuer A's operations, financial condition, and business prospects;
- e. Provided prospective investors with preferred stock offering materials, including subscription agreements; and
- f. Directed interested investors how to complete Issuer A's preferred stock subscription agreement and provide funds to Issuer A.

15. In addition, at Pollack's direction, Analyst A continued to maintain and distribute models regarding Issuer A's financial prospects to prospective investors.

16. Following solicitation by Respondents, three investors purchased a total of \$2,100,000 of Issuer A's preferred stock, constituting 40% of the \$5,200,000 total amount raised in the offering.

17. In connection with the preferred stock offering, Pollack and the CEO of Issuer A reached an oral agreement whereby Issuer A was to pay Respondents 5% of the value of Issuer A's preferred stock purchased by Pollack and Montgomery Street investors. Pursuant to their oral agreement, Respondents later received approximately \$105,000 in transaction-based compensation from Issuer A.

18. Pollack and entities controlled by Pollack received 665,000 of the 800,000 shares of Issuer A common stock due pursuant to the Letter Agreement:

- a. Toro Holdings was issued 100,000 shares of Issuer A common stock on or about April 28, 2011. The value of those shares on that date was \$760,000;

- b. Toro Holdings was issued an additional 100,000 shares of Issuer A common stock on or about June 16, 2011. The value of those shares on that date was \$415,000;
- c. Giddy-Up Partners was issued 120,000 shares of Issuer A common stock on or about June 16, 2011. The value of those shares on that date was \$498,000;
- d. Giddy-Up Partners was issued an additional 100,000 shares of Issuer A common stock on or about August 1, 2011. The value of those shares on that date was \$430,000;
- e. Bhog Partners was issued 200,000 shares of Issuer A common stock on or about August 23, 2011. The value of those shares on that date was \$660,000; and
- f. Pollack was issued 45,000 shares of Issuer A common stock on or about June 4, 2013. The value of those shares on that date was \$8,100.

19. The total value of the shares issued to Pollack and his various entities pursuant to the Letter Agreement was \$2,771,100.

E. POLLACK MANIPULATED THE VOLUME OF ISSUER A STOCK

20. From approximately December 2010 through October 2012, Pollack had exclusive trading authority over at least ten online brokerage accounts at five broker-dealers. Seven of these accounts were in the name of three entities that Pollack solely-owned and controlled, including three accounts in the name of Montgomery Street; three accounts in the name of Toro Holdings; and one account in the name of Bhog Partners.

21. From December 31, 2010 through October 8, 2012, in open market transactions, the ten Pollack-controlled accounts bought a total of 5,347,557 Issuer A shares and sold a total of 5,661,051 shares for net proceeds of \$808,478.73.

22. During that period, Pollack conducted 4,341 transactions in Issuer A stock on 300 trading days. On 140 of the 300 trading days, the Pollack-controlled accounts were responsible for over 50% of the reported Issuer A trading volume. On 19 of the 300 trading days, the Pollack-controlled accounts were responsible for over 90% of reported Issuer A trading volume.

23. From at least July 2011 through June 2012, eight Pollack-controlled accounts manipulated the market for Issuer A stock by engaging in the practice of wash trading. Wash trading is the purchase and sale of a security, either simultaneously or within a short period of time, that involves no change in the beneficial ownership of the security, as a means of creating artificial market activity. Specifically, Pollack placed buy (or sell) orders for Issuer A stock in one account he controlled, and then simultaneously or within a short period of time entered sell (or buy) orders for Issuer A stock at the exact same price in the exact same or virtually identical quantities in another account he controlled. These paired transactions had no economic impact on Pollack's

position in Issuer A. By repeatedly making wash trades in the stock of Issuer A, Pollack, intended to and did, create a false or misleading appearance of active trading in the stock of Issuer A.

24. Pollack’s creation of a false or misleading appearance of active trading in the stock of Issuer A, an otherwise thinly traded stock, also applied upward pressure on the price of Issuer A stock.

25. Some of Pollack’s wash trades in Issuer A during July 2011 illustrate his manipulative pattern:

- a. On July 18, 2011 at 9:38:48, Pollack placed an order through his Toro Holdings Account #1 to *buy* 1500 shares of Issuer A at \$4.20 per share. Just 18 seconds later, at 9:39:06, Pollack placed an order through his Toro Holdings Account #2 to *sell* 1500 shares of Issuer A at \$4.20 per share;
- b. Similarly, on July 27, 2011, at 13:47:03, Pollack placed an order through his Montgomery Street Account #1 to *buy* 500 shares of Issuer A at \$4.78 per share. Just 15 seconds later, at 13:47:18, Pollack placed an order through his Toro Holdings Account #2 to *sell* 500 shares of Issuer A at \$4.78 per share.

26. Pollack’s wash trades on August 15, 2011 further illustrate his manipulative pattern. On that day, Pollack conducted eight wash trades in three accounts he controlled, and Pollack’s trading was responsible for 99.06% of Issuer A’s total reported volume. Notably, seven of his eight wash trades were separated by thirty seconds or less.

Pollack Wash Trades on August 15, 2011

ACCOUNT	TICKER	ORDER DATE	ORDER TIME	TRADE TIME	SELL/BUY	PRICE	QUANTITY
Toro Holdings Account 1	Issuer A	08/15/2011	10:22:38	10:25:02	Buy	\$3.25	200
Toro Holdings Account 1	Issuer A	08/15/2011	10:24:06	10:25:02	Buy	\$3.25	1000
Montgomery St Account 1	Issuer A	08/15/2011	10:24:49	10:25:02	Sell	\$3.25	1200
Toro Holdings Account 1	Issuer A	08/15/2011	10:28:05	10:28:15	Buy	\$3.30	500
Montgomery St Account 1	Issuer A	08/15/2011	10:28:11	10:28:15	Sell	\$3.30	500
Toro Holdings Account 1	Issuer A	08/15/2011	13:45:30	13:46:04	Buy	\$3.20	1999
Montgomery St Account 1	Issuer A	08/15/2011	13:45:52	13:46:04	Sell	\$3.20	2000
Montgomery St Account 2	Issuer A	08/15/2011	13:50:12	13:50:55	Buy	\$3.25	1500
Montgomery St Account 1	Issuer A	08/15/2011	13:50:27	13:50:55	Sell	\$3.25	1500
Montgomery St Account 1	Issuer A	08/15/2011	13:52:35	13:52:57	Buy	\$3.30	500
Montgomery St Account 1	Issuer A	08/15/2011	13:52:45	13:52:57	Sell	\$3.30	500
Toro Holdings Account 1	Issuer A	08/15/2011	14:44:27	14:44:38	Buy	\$3.49	501
Montgomery St Account 1	Issuer A	08/15/2011	14:44:34	14:44:38	Sell	\$3.49	501
Montgomery St Account 1	Issuer A	08/15/2011	14:44:34	14:45:50	Sell	\$3.49	499

Toro Holdings Account 1	Issuer A	08/15/2011	14:45:28	14:45:50	Buy	\$3.49	500
Montgomery St Account 2	Issuer A	08/15/2011	15:10:17	15:11:05	Buy	\$3.25	2000
Montgomery St Account 1	Issuer A	08/15/2011	15:10:47	15:11:05	Sell	\$3.25	2000

27. Pollack engaged in this manipulative strategy repeatedly. From approximately July 2011 through June 2012, Pollack conducted approximately 100 wash trades in Issuer A stock where the buy/sell orders came within 90 seconds of one another, and where the price and quantity were identical or virtually identical. In 85 of those instances, the buy/sell orders came within 60 seconds of one another. In many cases, Pollack’s wash trade orders were placed only seconds apart.

28. None of the 100 wash trades by the various Pollack-controlled accounts involved a change in the beneficial ownership of the security. In 31 of the 100 wash trades, the *same* Pollack-controlled entity placed virtually identical buy/sell orders, using different brokerage accounts. In the other 69 wash trades, Pollack placed virtually identical buy/sell orders through some combination of personal accounts and accounts of entities that he controlled. In numerous instances, Pollack bought and sold the stock of Issuer A in multiple accounts on the same day.

29. During the period in which Pollack’s wash trades created a false or misleading appearance of active trading in the stock of Issuer A (July 18, 2011 through June 19, 2012), he obtained net trading proceeds in the stock of approximately \$369,686.23.

F. VIOLATIONS

30. As a result of the conduct described above, Pollack willfully violated Section 9(a)(1) of the Exchange Act, which prohibits any person from engaging in wash sales “[f]or the purpose of creating a false or misleading appearance of active trading in any security other than a government security, or a false or misleading appearance with respect to the market for any such security. . .”

31. As a result of the conduct described above, Pollack willfully violated Section 10(b) of the Exchange Act and Rules 10b-5(a) and 10b-5(c) thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

32. As a result of the conduct described above, Pollack and Montgomery Street willfully violated Section 15(a)(1) of the Exchange Act, which makes it unlawful for any broker or dealer to make use of the mails or any means or instrumentality of interstate commerce to effect any transactions in, or to induce or attempt to induce the purchase or sale of, any security unless such broker or dealer is registered with the Commission pursuant to Section 15(b) of the Exchange Act (or, if a natural person, associated with a registered broker-dealer other than a natural person).

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

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

B. What, if any, remedial action is appropriate in the public interest against Respondents pursuant to Section 15(b) of the Exchange Act including, but not limited to, disgorgement and civil penalties pursuant to Section 21B of the Exchange Act;

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

D. Whether, pursuant to Section 21C of the Exchange Act and Section 9 of the Investment Company Act, Respondents should be ordered to cease and desist from committing or causing violations of and future violations of Sections 9(a)(1), 10(b), and 15(a) of the Exchange Act and Rules 10b-5(a) and 10b-5(c) thereunder, whether Respondents should be ordered to pay a civil penalty pursuant to Section 21B(a) of the Exchange Act and Section 9(d) of the Investment Company Act, and whether Respondents should be ordered to pay disgorgement pursuant to Sections 21B(e) and 21C(e) of the Exchange Act and Section 9 of the Investment Company Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondents shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondents fail to file the directed answer, or fail to appear at a hearing after being duly notified, the Respondents may be deemed in default and the proceedings may be determined against them upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondents as provided for in the Commission's Rules of Practice.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not “rule making” within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Brent J. Fields
Secretary