

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 5302 / July 17, 2019

INVESTMENT COMPANY ACT OF 1940
Release No. 33560 / July 17, 2019

ADMINISTRATIVE PROCEEDING
File No. 3-19256

In the Matter of

SALUS, LP,
S.A.I.C., LIMITED,
BRANDON E. COPELAND,
and GREGORY M. PRUSA,

Respondents.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS
PURSUANT TO 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 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 Salus, LP, S.A.I.C., Limited (“SAIC”), Brandon E. Copeland, and Gregory M. Prusa (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 the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to 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

From at least November 2017 through January 2019 (the "Relevant Period"), Salus and its two general partners, Copeland and Prusa, made false or misleading statements in Form ADV filings for Salus and, along with SAIC, the general partner for the Salus hedge fund (the "Fund") in the Confidential Offering Memorandum for the Fund regarding: (i) Salus's assets under management, clients, asset allocation, and eligibility for registration as an investment adviser with the Commission; (ii) the Fund's investment strategy and the expertise and experience of SAIC and Copeland; and (iii) the hiring of a specific accountant, legal counsel, prime broker, and custodian for the Fund. In fact, Salus has never had any assets under management, Salus was never eligible to register with the Commission as an investment adviser, none of the individuals or entities involved had any relevant experience, and the Fund never operated in the manner described in its offering documents.

Respondents

1. **Salus** is a limited partnership formed in Colorado with its principal place of business in Denver, Colorado. Salus registered with the Commission as an investment adviser effective December 19, 2017. Copeland and Prusa are the firm's general partners and only employees. Until it voluntarily filed a Form ADV-W and its registration was terminated effective June 11, 2019, Salus purported to provide portfolio management services to high net worth individuals and the Fund, and also solicited capital contributions for the Fund.

2. **SAIC** is a limited liability company formed in Colorado with its principal place of business in Denver, Colorado. Copeland and Prusa are its managing members and only employees. SAIC is the general partner for the Fund. In that capacity, SAIC provides investment advice to the Fund, but has never been registered as an adviser with any state or the Commission.

3. **Brandon E. Copeland**, age 36, is a resident of Painesville, Ohio. Copeland is the co-founder and chief financial officer for both Salus and SAIC. Copeland has never held any securities licenses.

4. **Gregory M. Prusa**, age 36, is a resident of Denver, Colorado. Prusa is the co-founder for both Salus and SAIC. He is the chief executive officer and chief compliance officer of Salus and the president and chief executive officer of SAIC. Prusa has never held any securities licenses.

Other Relevant Entities

5. **Salus, LP Hedge Fund (the "Fund")** is a private fund that purports to pool the contributions of its limited partners to invest primarily in U.S. government bonds. There is no legal

entity for the Fund separate and apart from the Salus limited partnership. The Fund's Confidential Offering Memorandum states that SAIC is the general partner of and investment adviser to the Fund. Salus's Forms ADV state that Salus and its general partners are the sole advisers to the Fund. The Fund has never received any money from investors and has never made any investments.

Background

6. Copeland and Prusa formed Salus in October 2017 and are its general partners. On November 10, 2017, Salus filed a Form ADV registering as an investment adviser with the Commission. Salus's registration became effective on December 19, 2017. Salus made two additional Form ADV filings on April 20, 2018 and January 31, 2019. Prusa and Copeland jointly prepared, reviewed, and approved each of the Forms ADV, and each was signed and certified by Prusa. According to its Forms ADV, Salus is an adviser to high net worth individuals and to the Fund, and both Copeland and Prusa serve in an investment advisory function for the firm.

7. Pursuant to an October 2017 Investment Management Agreement, SAIC agreed to serve as an investment adviser to the Fund in exchange for compensation. Copeland and Prusa formed SAIC in July 2014 and are SAIC's sole employees. SAIC never had any advisory clients other than the Fund. SAIC was not disclosed as an investment adviser to the Fund on Salus's Forms ADV as required by the Form, but the Fund's Confidential Offering Memorandum described SAIC as the Fund's general partner and investment adviser.

8. The Fund's Confidential Offering Memorandum, which SAIC emailed to prospective investors and Salus distributed to prospective advisory clients Part 2A of its Forms ADV, offered prospective investors limited partnership interests in a pooled investment vehicle with the objective of generating returns by investing primarily in U.S. government bonds. Since its creation, the Fund had three purported limited partners – Copeland, Prusa, and another third party – but never received any investments.

9. Salus, Copeland, and Prusa solicited prospective clients and prospective Fund investors through a website, www.salushedgefund.com. SAIC's website, www.saic-ltd.com, also automatically redirected prospective clients and investors to the same web content. Both websites represented Salus as "an SEC Registered Investment Adviser."

False Disclosures in Salus's Forms ADV

10. Salus's initial Form ADV filed in November 2017 disclosed that Salus had \$20 million in regulatory assets under management ("RAUM") and that it registered with the SEC in reliance on Rule 203A-2(c), stating that it reasonably expected to be eligible to register with the Commission within 120 days after the date its registration with the Commission became effective.

11. Salus represented in its April 2018 and January 2019 Forms ADV that it was a large advisory firm with \$178 million in RAUM.

12. In its November 2017 and April 2018 Forms ADV, Salus claimed that it had an investment advisory relationship with 20 high net worth individual clients that were not part of the private fund it advised. In its January 2019 Form ADV, Salus stated that it had fewer than five high net worth individual clients.

13. In each of its Forms ADV Salus further disclosed that: (a) it held RAUM in separately managed accounts, and that those assets were allocated as follows: 70 percent U.S. government/agency bonds, 10 percent exchange-traded equity securities, 10 percent cash and cash equivalents, 5 percent investment grade corporate bonds, 3 percent U.S. state and local bonds, and 2 percent derivatives; (b) the Fund was subject to an annual audit, identifying a large accounting firm as the Fund's auditor; and (c) the Fund had a prime broker and a custodian for the Fund's assets, specifically identifying the firms that served in these capacities.

14. All of the disclosures in paragraphs 10 through 13 were false. Salus never held any RAUM at any time, and had no reasonable expectation of having sufficient RAUM to qualify for registration. It also never advised any high net worth individual clients, never had separately managed accounts, let alone accounts with the asset allocations described, never engaged an audit firm, never had an account or an agreement with a prime broker, and never engaged a custodian for the Fund's assets.

Misstatements in the Fund's Confidential Offering Memorandum

15. The Fund's Confidential Offering Memorandum represented that (a) Copeland "has assisted in the management of a \$125mm++ portfolio through SAIC," (b) SAIC "specializes in Fixed Income investment," (c) the auditing firm referenced in Salus's Forms ADV was also the Fund's independent accountant, stating that "[u]pon the conclusion of Q1 2018, the General Partner shall promptly report and deliver to the Securities and Exchange Commission audited financials," (d) the Fund's investment objective was to generate returns by trading fixed income investments, particularly U.S. government bonds, (e) similar to Salus's Forms ADV, the Fund had a specific prime broker and custodian for Fund assets, and (f) a national law firm served as legal counsel to the Fund's general partner.

16. All of these statements were also false. In fact, Copeland's opportunity to manage a portfolio through SAIC never progressed beyond the planning stages and was terminated in less than three months, SAIC did not specialize in trading fixed income securities, the Fund's financial statements have never been audited by any independent public accountant (and no financials have ever been delivered to the Commission as represented), the Fund never received any capital contributions, so it had no investments and never traded in any U.S. government bonds, and the Fund never had an accountant, a prime broker, a custodian for the Fund's assets, or engaged counsel for the Fund or its general partner.

Violations

17. As a result of the conduct described above, the Respondents willfully violated Sections 206(1) and 206(2) of the Advisers Act, which makes it unlawful for any investment adviser, by use of the means of interstate commerce, directly or indirectly, to (1) “employ any devise, scheme, or artifice to defraud any client or prospective client” or (2) “engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client.”

18. As a result of the conduct described above, the Respondents willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder, which make it unlawful for any investment adviser to a pooled investment vehicle to “[m]ake any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which they were made, not misleading to any investor or prospective investor in the pooled investment vehicle” or “engage in any act, practice, or course of business that is fraudulent, deceptive, or manipulative with respect to any investor or prospective investor in the pooled investment vehicle.”

19. As a result of the conduct described above, Salus, Copeland, and Prusa willfully violated Section 207 of the Advisers Act, which makes it “unlawful for any person willfully to make any untrue statement of material fact in any registration application or report filed with the Commission ... or willfully to omit to state in any such application or report any material fact which is required to be stated therein.”

20. As a result of the conduct described above, Salus willfully violated, and Copeland and Prusa willfully aided and abetted and caused Salus’s violation of Section 203A of the Advisers Act, which generally prohibits an investment adviser that is regulated or required to be regulated in the State in which it maintains its principal office and place of business from registering with the Commission unless it has assets under management of not less than \$25 million, or such higher amount as the Commission may, by rule, deem appropriate or is an adviser to an investment company registered under the Investment Company Act.

IV.

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

Accordingly, pursuant to 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. Respondents Salus, Copeland and Prusa cease and desist from committing or causing any violations and any future violations of Sections 203A, 206(1), 206(2), 206(4), and 207 of the Advisers Act and Rule 206(4)-8 promulgated thereunder;

B. Respondent SAIC cease and desist from committing or causing any violations and any future violations of Sections 206(1), 206(2), and 206(4) of the Advisers Act and Rule 206(4)-8 promulgated thereunder;

C. Respondents Salus and SAIC are censured;

D. Respondents Salus and SAIC be, and hereby 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;

E. Respondent Copeland be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

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;

F. Any reapplication for association by Respondent Copeland 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 Respondent, 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;

G. Respondent Prusa be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

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;

H. Any reapplication for association by Respondent Prusa 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 Respondent, 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;

I. Respondent Copeland shall, within fourteen (14) days of the entry of this Order, pay a civil money penalty in the amount of \$25,000.00 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Securities Exchange Act of 1934 (“Exchange Act”) Section 21F(g)(3), 15 U.S.C. § 78u-6(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717;

J. Respondent Prusa shall, within fourteen (14) days of the entry of this Order, pay a civil money penalty in the amount of \$25,000.00 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717;

K. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) 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
- (3) 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 Mary S. Brady, Division of Enforcement, Securities and Exchange Commission, Denver Regional Office, 1961 Stout St., Suite 1700, Denver, CO 80294; and

L. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they 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 Securities and Exchange Commission. 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 "Related Investor Action" means a private damages action brought against Respondent(s) 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.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondents Copeland and Prusa, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondents Copeland and Prusa under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondents Copeland and Prusa of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary