

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 5327 / August 22, 2019

ADMINISTRATIVE PROCEEDING
File No. 3-19371

In the Matter of

Patrick L. O'Connor,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO SECTION
203(f) OF THE INVESTMENT ADVISERS
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 proceedings be, and hereby are, instituted pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Patrick L. O’Connor (“O’Connor” or “Respondent”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

Patrick L. O’Connor, age 61, was a licensed real estate agent and a real estate developer in Waunakee, Wisconsin. Neither O’Connor nor any entity he was associated with was registered with the Commission in any capacity.

B. RESPONDENT’S CRIMINAL CONVICTION

1. On March 25, 2019, O’Connor executed a plea agreement pursuant to which he agreed to plead guilty to one count of wire fraud and one count of money laundering. O’Connor also

agreed to restitution in the amount of \$9,686,848. On July 30, 2019, a Wisconsin district court ordered O'Connor to pay an amended restitution amount of \$9,180,748 to his victims and sentenced him to seven years incarceration. United States v. Patrick O'Connor, No. 19-cr-00044 (W.D. Wis.).

2. According to a criminal information filed in the case, between October of 2011 and June of 2018, O'Connor made fraudulent misrepresentations and material omissions in soliciting investors to invest with Madison Financial Services, LLC ("MFS"). The information further alleges that as part of his scheme O'Connor projected an average annual return of 2% a month or 24% annually.

3. O'Connor provided at least one investor with a receipt of a deposit for \$250,000 indicating that the investor purchased 24,674.79 units of an investment fund called MFS Alpha Growth Capital Fund ("MFS Alpha"). The document represented that the money would be invested in capital growth investment strategies that would be managed and directed by O'Connor, and indicated that the purpose of the fund was to seek long and short term capital appreciation through U.S. equity and debt instruments. The document stated that O'Connor would receive an annual fee of 10% of the investment profit for managing the fund.

3. According to a criminal information filed in the case, O'Connor misappropriated most of the funds by using the money for expenses tied to his real estate development business, and to support his personal lifestyle. Although he did use some of the funds for trading, O'Connor either lost or withdrew most of the funds, and the trading rarely yielded any profit. The information alleges that, in order to fool investors into believing that his investment transactions were legitimate, O'Connor operated a Ponzi scheme by making payments to some investors with the money provided to him from other investors. In addition, the information alleges that O'Connor created and disseminated fictitious account statements with supposed year-to-date profits and supposed portfolio balances.

4. During the time of the alleged violations to which he pled guilty, O'Connor transacted business as an investment adviser without having registered to conduct such business.

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 proceedings be instituted to determine:

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

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act.

IV.

IT IS ORDERED that a public hearing before the Commission for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed by further order of the Commission, pursuant to Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent 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(b) of the Commission's Rules of Practice, 17 C.F.R. § 201.220(b).

IT IS FURTHER ORDERED that the Division of Enforcement and Respondent shall conduct a prehearing conference pursuant to Rule 221 of the Commission's Rules of Practice, 17 C.F.R. § 201.221, within fourteen (14) days of service of the Answer. The parties may meet in person or participate by telephone or other remote means; following the conference, they shall file a statement with the Office of the Secretary advising the Commission of any agreements reached at said conference. If a prehearing conference was not held, a statement shall be filed with the Office of the Secretary advising the Commission of that fact and of the efforts made to meet and confer.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, Respondent may be deemed in default and the proceedings may be determined against him 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 Respondent by any means permitted by the Commission's Rules of Practice.

Attention is called to Rule 151(b) and (c) of the Commission's Rules of Practice, 17 C.F.R. § 201.151(b) and (c), providing that when, as here, a proceeding is set before the Commission, all papers (including those listed in the following paragraph) shall be filed with the Office of the Secretary and all motions, objections, or applications will be decided by the Commission. The Commission requests that an electronic courtesy copy of each filing should be emailed to APFilings@sec.gov in PDF text-searchable format. Any exhibits should be sent as separate attachments, not a combined PDF.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that notwithstanding any contrary reference in the Rules of Practice to filing with or disposition by a hearing officer, all filings, including those under Rules 210, 221, 222, 230, 231, 232, 233, and 250 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.210, 221, 222, 230, 231, 232, 233, and 250, shall be directed to and, as appropriate, decided by the Commission. This proceeding shall be deemed to be one under the 75-day timeframe specified

in Rule of Practice 360(a)(2)(i), 17 C.F.R. § 201.360(a)(2)(i), for the purposes of applying Rules of Practice 233 and 250, 17 C.F.R. §§ 201.233 and 250.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that the Commission shall issue a decision on the basis of the record in this proceeding, which shall consist of the items listed at Rule 350(a) of the Commission's Rules of Practice, 17 C.F.R. § 201.350(a), and any other document or item filed with the Office of the Secretary and accepted into the record by the Commission. The provisions of Rule 351 of the Commission's Rules of Practice, 17 C.F.R. § 201.351, relating to preparation and certification of a record index by the Office of the Secretary or the hearing officer are not applicable to this proceeding.

The Commission will issue a final order resolving the proceeding after one of the following: (A) The completion of post-hearing briefing in a proceeding where the public hearing has been completed; (B) The completion of briefing on a motion for a ruling on the pleadings or a motion for summary disposition pursuant to Rule 250 of the Commission's Rules of Practice, 17 C.F.R. § 201.250, where the Commission has determined that no public hearing is necessary; or (C) The determination that a party is deemed to be in default under Rule 155 of the Commission's Rules of Practice, 17 C.F.R. § 201.155, and no public hearing is necessary.

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.

Vanessa A. Countryman
Secretary