

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 11012 / December 10, 2021

INVESTMENT ADVISERS ACT OF 1940
Release No. 5921 / December 10, 2021

ADMINISTRATIVE PROCEEDING
File No. 3-20675

In the Matter of

RITA MANSOUR,

Respondent.

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933, AND SECTION 203(k) OF THE INVESTMENT ADVISERS 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 cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Section 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against Rita Mansour (“Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) 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 her and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Section 203(k) of the Investment Advisers 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 Respondent's Offer, the Commission finds¹ that:

Summary

1. These proceedings arise out of Respondent's sales of securities in connection with private securities offerings conducted by two pooled investment vehicles that Respondent's employer advised (the "PIVs"). Those PIVs offered and sold securities to raise bridge funding for the construction of a resort in Montenegro. Investor monies raised through these offerings were to be used to purchase debt in a Montenegrin entity that was to construct the resort. Between September 2013 and continuing through January 2017, Respondent's employer offered and sold more than \$14 million in securities issued by the PIVs to investors located in the United States, including both its brokerage customers and its advisory clients. In October 2016, Respondent and Respondent's employer became aware of allegations that their point-person at the Montenegrin entity had misappropriated \$488,331 of investor funds² by misusing a debit card belonging to that entity to pay for certain personal expenses. After being confronted with the allegations that this individual had misappropriated funds from the Montenegrin entity, he conceded that he was not entitled to certain of the funds alleged to have been misappropriated. Accordingly, after negotiation, the individual agreed to repay approximately \$335,000 that he had allocated to personal expenses.

2. Neither Respondent nor Respondent's employer disclosed the misappropriation to existing investors in October 2016. In early 2017, Respondent's employer then raised approximately \$1.5 million in additional funds through sales of securities issued by PIV2 to both existing security holders and new investors, including brokerage customers and advisory clients, without disclosing the misappropriation to those investors. Respondent was responsible for recommending and selling certain of these securities. By this conduct, Respondent caused her employer to violate Sections 17(a)(2) and (3) of the Securities Act and Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder.

Respondent

3. Respondent is a registered representative and investment adviser representative working out of her employer's Toledo, Ohio offices.

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

² Upon obtaining certain bank records in 2019, Respondent learned that its point-person at the Montenegrin entity had in fact misappropriated substantially more than the amount he was alleged to have misappropriated.

Other Relevant Entities

4. PIV1 is an Ohio Limited Liability Company organized on May 15, 2013. The managing member of PIV1 is a wholly-owned subsidiary of Respondent's employer.

5. PIV2 is an Ohio Limited Liability Company organized on January 7, 2016. The managing member of PIV2 is a wholly-owned subsidiary of Respondent's employer.

6. Respondent's employer is a dually-registered broker-dealer and investment adviser headquartered in Cleveland, Ohio. In addition to providing investment advisory and brokerage services to institutional and individual clients, Respondent's employer served as the investment adviser to PIV1 and PIV2 through a wholly-owned subsidiary.

Background

7. From September 2013 through January 2017, Respondent's employer served as placement agent for unregistered private offerings conducted by the PIVs. In that capacity, Respondent's employer offered and sold approximately \$14 million in securities issued by the PIVs to investors, including certain of its advisory clients and certain of its brokerage customers. The securities took the form of membership interests in both of the PIVs as well as debt issued by both of the PIVs.

8. Pursuant to its agreements with the PIVs as placement agent, Respondent's employer earned a 5% commission on the sale of securities issued by those entities, including on purchases of those securities made by Respondent's advisory clients. A portion of Respondent's employer's commissions were allocated to Respondent with respect to sales for which she was responsible.

9. Respondent and Respondent's employer told investors and potential investors that the PIVs would use investor funds to invest in debt and equity issued by the Montenegrin entity. The Montenegrin entity was to use investor funds as bridge financing – to purchase land in Montenegro on which it would construct a five-star resort and to provide operating capital for additional fundraising activities to finance the construction of the resort on that land. Private placement memoranda (“PPM”) issued by the PIVs explained the resort project in greater detail.

10. PIV1's PPM states that investor proceeds would be used to purchase debt from the Montenegrin entity as well as a minority equity interest in the Montenegrin entity. The PPM also notes that PIV1 was to obtain a seat on the Montenegrin entity's board of directors. The Montenegrin entity was to use investor proceeds as bridge financing – both to fund land purchases and to provide operating capital. PIV1's debt in the Montenegrin entity is secured by mortgages on the real property purchased by the Montenegrin entity for construction of the resort.

11. PIV2's PPM states that investor proceeds would be used to invest in certain subordinated debt instruments issued by the Montenegrin entity that were to earn interest at 10%

per annum. Investors were to be repaid with interest upon completion of a second round of fundraising to be conducted by a separate fundraiser. PIV2's debt in the Montenegrin entity was to be secured by a mortgage – second in priority to PIV1 – on the real property purchased by the Montenegrin entity for construction of the resort.

12. The PIVs did, in fact, provide investor funds to the Montenegrin entity for the purpose of purchasing property for, and constructing, the resort.

13. In October 2016, Respondent and Respondent's employer became aware of allegations that the Montenegrin entity's executive director, 50% shareholder, and Respondent's primary point of contact at the Montenegrin entity, had misappropriated \$488,331 of investor funds from the Montenegrin entity by misusing a debit card that belonged to the Montenegrin entity to pay for certain personal expenses. After being confronted with the allegations that he had misappropriated funds from the Montenegrin entity, the executive director conceded that he was not entitled to certain of the funds alleged to have been misappropriated. Accordingly, after negotiation with Respondent's employer, he agreed to repay approximately \$335,000 that he had used for personal expenses.

14. Neither Respondent nor Respondent's employer advised investors in the PIVs, including those investors who were advisory clients, about the executive director's misappropriation upon becoming aware of it.

15. In January 2017, Respondent's employer offered and sold additional securities issued by PIV2 to investors without disclosing the executive director's misappropriation to those investors. Respondent was responsible for recommending and selling certain of these securities. Respondent earned commissions of \$22,968.75 on the sale of the securities issued to investors after Respondent and Respondent's employer became aware of the executive director's misappropriation of funds from the Montenegrin entity.

16. Between early and mid-2017, the working relationship between Respondent's employer and the executive director deteriorated. By mid-2017, communications between the executive director and Respondent's employer had broken down completely over a series of disagreements, including the executive director's failure to repay the misappropriated funds as he had agreed to do.

17. In February 2019, working with counsel in Montenegro, Respondent's employer initiated multiple legal proceedings in Montenegro aimed, among other things, at removing the executive director from operational involvement in the Montenegrin entity and the resort project.

18. Respondent's employer did not advise investors about the executive director's misappropriation of funds from the Montenegrin entity until after Commission staff initiated its investigation into this matter.

19. As a result of the conduct described above, Respondent caused Respondent's employer to violate: (1) Sections 17(a)(2) and 17(a)(3) of the Securities Act, which prohibit fraudulent conduct in the offer or sale of securities; and (2) Sections 206(2) and 206(4) of the

Advisers Act, and Rule 206(4)-8 thereunder, which prohibit fraudulent or deceptive conduct with respect to clients and investors.

20. The disgorgement and prejudgment interest ordered in paragraph IV.B is consistent with equitable principles, does not exceed Respondent's net profits from its violations, and returning the money to Respondent's employer would be inconsistent with equitable principles. Therefore, in these circumstances, distributing disgorged funds to the U.S. Treasury is the most equitable alternative. The disgorgement and prejudgment interest ordered in paragraph IV.D shall be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

IV.

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

Accordingly, pursuant to Section 8A of the Securities Act Section 203(k) of the Advisers Act, it is hereby ORDERED that:

A. Respondent cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and (3) of the Securities Act, Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8 promulgated thereunder.

B. Respondent shall pay disgorgement of \$22,968.75, prejudgment interest of \$4,884.71 and civil penalties of \$40,000.00, 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 Respondent fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

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 Mansour 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 Paul Montoya, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, 175 West Jackson Boulevard, Suite 1450, Chicago, IL 60604.

C. 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, Respondent agrees that in any Related Investor Action, she shall not argue that she is entitled to, nor shall she benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that she 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 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.

By the Commission.

Vanessa A. Countryman
Secretary