UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-14680

In the Matter of the Application of

CALHOUN ASSET MANAGEMENT, LLC, and KRISTA LYNN WARD A/K/A KRISTA LYNN KARNEZIS

RESPONSE TO KRISTA LYNN WARD'S MOTION TO VACATE ORDER MAKING FINDINGS AND IMPOSING REMEDIAL SANCTIONS

Almost nine years ago, the Securities and Exchange Commission (the "Commission") through the Division of Enforcement (the "Division") instituted a cease and desist ("C&D") proceeding against Krista Lynn Ward and Calhoun Asset Management, LLC ("Calhoun") -- the investment adviser Ward owned and operated. *In the Matter of Calhoun Asset Management, LLC and Krista Lynn Ward*, Exchange Act Rel. 66066 (Dec. 29, 2011). In the Commission's Order Instituting Proceedings ("OIP"), the Division alleged, among other things, that Ward and Calhoun (a) exaggerated Calhoun's assets under management while trying to convince a third party adviser to recruit investors, (b) made misleading statements in marketing materials about Calhoun's due diligence process and the performance record for one of the funds, (c) filed false Forms ADV with the Commission, and (d) failed to maintain records to support Calhoun's performance claims. *Id.*

Rather than fight the Division's fraud charges – and risk a worse result – Ward opted to settle the proceeding and agreed to entry of an Order that required her to cease and desist from further violations of the relevant provisions of federal securities law, ordered her and Calhoun to pay a $50,000 civil penalty, and barred Ward from associating with any broker, dealer, or investment

adviser. Based on that settlement offer, the Commission entered an order making findings and imposing the relief Ward agreed to (the "Settled Order").

Through the entire C&D proceeding – from the initial investigation through settlement – Ward was represented by counsel. In her signed Offer of Settlement, Ward confirmed that her offer was "made voluntarily, and … no offers, threats, or inducements of any kind or nature have been made by the Commission" to induce her settlement offer. (Ex. A at 9.) For over eight years, Ward has not raised any legal challenge to the Settled Order. Yet now, Ward suddenly asks that the Commission reach back eight years and fully vacate the order she agreed to. She does not claim that she was incompetent to sign her offer of settlement, that her lawyer was ineffective, or that her consent was involuntary. Rather, Ward claims that the Order should be vacated because (1) she signed her offer of settlement so she could focus on contentious divorce proceedings in 2012, (2) she was somehow "exonerated" after the fact when she prevailed in a private lawsuit brought by one of the investors in Calhoun's funds, and (3) the Settled Order has made it difficult for her to raise money from investors for her current business venture.[1]

None of those arguments justifies the extraordinary relief that Calhoun seeks. The Commission recognizes the strong interest in the finality of its settlements and, therefore, will only modify a Settled Order if the respondent establishes that "compelling circumstances" so dictate. Ward's arguments do not meet that standard. First, Ward's decision to settle the C&D proceeding – rather than divert time and resources to litigation – was a voluntary and calculated choice. By

[1] Calhoun also alleges – without factual or legal support – that the underlying investigation of her misconduct was "handled in an unconstitutional manner." (Ward Br. at 1.) But, Ward does not specify the nature of the staff's conduct or the purported constitutional violation at issue. Instead, Ward states that she will reserve her constitutional argument for a future legal proceeding. (*Id*.) Since Ward does not substantiate her accusation, flesh out her constitutional argument, or give the Division anything to respond to, that argument should be deemed waived and disregarded.

settling, Ward expressly waived her right to further proceedings. That Ward did this so that she could focus her time and energy on her divorce proceedings does not relieve her from the consequences of her choice. Second, the private investor suit did not retroactively "exonerate" Ward or speak to her potential liability had she litigated the Division's claims. Ward's "exoneration" argument misconstrues the court's holdings in that private litigation. Rather than speak to the claims that Ward settled, the court's rulings in that case hinged on charges that the Division did not bring and elements that the Division did not have to prove. Finally, Ward's difficulty in soliciting investors, or finding employment as a director, is not extraordinary or "compelling." Rather, it is the ordinary and foreseeable result of her agreement to settle the SEC's fraud claims, and an indicator of the continuing need to protect investors. Ward's motion to vacate the Settled Order should be denied.

BACKGROUND

This matter stems from the Division's investigation of Calhoun Asset Management, LLC – an investment adviser to two funds of funds, and (b) its principal, Krista Lynn Ward. At all times during the investigation and litigation of this matter, Ward was represented by counsel.

On December 29, 2011, the Division, with the Commission's authorization, instituted administrative cease and desist proceedings against Ward and Calhoun. Even before the case was instituted, Ward, through her counsel, approached the Division to see if the case could be resolved. Negotiations lasted for nearly two months. In that time, Ward and her counsel reviewed multiple drafts of the Offer of Settlement and OIP, provided comments on those documents, and negotiated the extent of the relief sought.[2]

[2] In her brief, Ward intimates that Division staff told her attorney that if Ward paid a $25,000 "fee" "everything would go away." (Ward Br. at 2.) While the Division does not know how Ward's attorney described settlement negotiations to her, that is certainly not how the Division staff described the settlement process to counsel.

On April 12, 2012, Ward, through her counsel, sent the Division a signed Offer of Settlement in which she agreed to entry of an order that, among other things: (a) required Ward and Calhoun to cease and desist from violating (or causing violations of) various provisions of federal securities law, (b) required Ward and Calhoun to jointly pay a $50,000 civil penalty in four installments, and (c) barred Ward from associating with an investment adviser, broker, or dealer with the right to reapply after five years.

On July 9, 2012, pursuant to Ward's Offer of Settlement, the Commission entered the Settled Order in which the Commission made the following findings:

- In 2006, Ward started negotiating with Orizon Investment Counsel, LLC ("Orizon") – a third party registered investment adviser – in an attempt to attract new investors to Calhoun's funds. During those discussions, Ward falsely claimed that she had several hundred million dollars under management.

- In a due diligence questionnaire, Ward made false statements to Orizon. Specifically, in response to a question about assets under management, Ward represented that she had $237 million *under advisement*, even though she never had more that $3 million *under management*.

- After conducting its due diligence, Orizon entered into a fee sharing agreement with Calhoun. Orizon eventually recruited approximately 20 investors making Orizon the largest source of investors in Calhoun's funds.

- Ward also created and distributed marketing materials that contained (a) statements about the 10-year performance track record of Calhoun's funds for which Ward had no documentary support, (b) fund performance data for a time period when the fund did not exist, and (c) detailed misstatements about Calhoun's due diligence capabilities (when, in reality, Calhoun outsourced the due diligence function to a third party that did not reliably perform its duties).

- Ward also included false and misleading statements about assets under management on a Form ADV filed with the Commission.

Based on those findings, the Commission found that Ward willfully violated Section 17(a) of the Securities Act of 1933 (the "Securities Act"), Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Exchange Act Rule 10b-5, Sections 206(4) and 207 of the Investment Advisers Act of 1940 (the "Advisers Act") and Advisers Act Rule 206(4)-8, and that she

willfully aided and abetted and caused violations of Sections 203A and 204 of the Advisers Act and Advisers Act Rule 204-2(a)(16).

The Commission ordered the relief that Ward agreed to, including a cease and desist order, an association bar (with a right to reapply after five years), and a $50,000 civil penalty. Ward made payments on the $50,000 civil penalty obligation, but – contrary to her brief – the judgment has not been paid in full. After over eight years, there remains a $2,749.52 balance on Ward's civil penalty obligation.[3] (Ex. B.)

DISCUSSION

The Commission has recognized the "strong interest in the finality of our settlement orders." *See, e.g., In the Matter of Kenneth W. Haver, CPA*, Exchange Act Rel. No. 54824, 2006 WL 3421789, *3 (Nov. 28, 2006) (denying motion to vacate a settled order that suspended the respondent from practicing before the Commission as an accountant). "If sanctioned parties easily are able to reopen consent decrees years later, the SEC would have little incentive to enter into such agreements … There would always remain open the possibility of litigation on the merits at some time in the distant future when memories have faded and records have been destroyed." *Id.*, citing *Miller v. SEC*, 998 F.2d 62, 65 (2d Cir. 1993). For that reason, the Commission has recognized that "settlement agreements should be upheld whenever equitable and policy considerations so permit." *In the Matter of Gregory T. Bolan Jr.*, Exchange Act Rel. 10640, 2019 WL 2324336, *3 (May 30, 2019), *quoting Ford Motor Co. v. Mustangs Unlimited*, 487 F.3d 465, 469-70 (6th Cir. 2007). Thus, the Commission will modify a settled order only if the respondent establishes that "there are, at a minimum, compelling

[3] A balance of $2,580.45 was terminated and discharged as to Calhoun (as a defunct entity) on December 22, 2014. That balance was never referred to Treasury for offset against amounts payable to Ward, and did not affect her joint and several liability for the remaining balance plus post judgment interest.

circumstances to do so." *In the Matter of Richard D. Feldman*, Exchange Act Rel. 77803, 2016 WL 2643450, *2 (May 10, 2016) (denying motion requesting that a settled order be modified to decrease disgorgement).

Ward's motion to vacate the Settled Order falls short of that standard.

I. Ward's Settlement Was Voluntary and She Has Waived All Post-Hearing Procedures.

Ward's decision to settle the Division's fraud claims was voluntary, knowing, and informed. Ward does not claim otherwise. And, Ward does not – and cannot – dispute that she was represented by competent and independent counsel at every stage of the proceeding. While Ward may have had to balance the demands of potential litigation against other personal demands, her Offer of Settlement reflects a conscious choice to resolve the proceeding rather than spend her time and resources litigating the Division's claim.

Ward's brief ignores a critical component of the Offer of Settlement that she knowingly and voluntarily signed: she has waived review of the Settled Order. Commission Rule of Practice 240(c)(4) expressly provides that settling respondents (like Ward) waive all hearings, the filing of proposed findings of fact and conclusions of law, proceedings before, and an initial decision by, a hearing officer, and all post-hearing procedures. 17 C.F.R. § 201.240(c)(4). Ward's signed Offer of Settlement expressly acknowledged that waiver. (Ex. A at p.7.)

Ward had the opportunity to litigate the merits of the Division's fraud claims. Instead, while being advised by counsel, she decided to waive that right and obtain a certain result through settlement. Although Ward's motion states that she now regrets her choice (Ward Br. at 2), she has "forfeited [her] opportunity to undo the settlement through the arguments [she] now asserts." *See In the Matter of Eric David Wanger*, Exchange Act Rel. 81111, 2017 WL 2953369, *4 (July 10, 2017) (denying application to vacate settled bar order, ruling that respondent's collateral attacks on the

order fail, among other reasons, because of his waiver under Rule of Practice 240(c)(4)). Ward's motion should be denied for that reason alone.

II. Ward's Divorce Proceeding Is No Basis For Vacating the Settlement.

Again, Ward does not claim that her 2012 divorce proceeding rendered her incompetent to agree to the Settled Order or rendered her consent involuntary. Rather, she expresses her regret that she had to balance so many demands on her time in 2012 and insinuates that, had she not had so much going on in her personal life, she might have fought the charges rather than settle. (Ward Br. at 2.)

That is not the sort of "compelling circumstance" that warrants a review of the Settled Order. Even if she had overwhelming competing demands on her time, Ward still made a voluntary calculation about whether she should spend her resources litigating the Division's fraud claims, or get a certain result – and free up resources for her divorce case – by settling the C&D proceedings. The Commission has recognized that such competing personal demands do not warrant a collateral attack on a settled order. *See In the Matter of Gregory Osborn*, Exchange Act Rel. 86001, 2019 WL 2324337, *3 (May 31, 2019). The Commission's order in *Osborn* is instructive. In *Osborn*, five years after entry of a settled order, the respondent moved to decrease the length of the association bar included in his settled order. Among other things, Osborn claimed that he consented to the bar because of "financial and medical concerns" and "might have fared differently" had he fought the charges. *Id.* The Commission held that, despite those personal concerns, Osborn voluntarily waived the right to "complain that the record is inaccurate or incomplete." *Id.* The Commission noted that Osborn's "choice was a risk, but calculated and deliberate and such as follows a free choice … he cannot be relieved of such a choice now." *Id.*

So it is here. Ward voluntarily decided to settle the SEC's charges. In doing so, she took a calculated risk that a settled result would be preferable to prolonged litigation. The demands of her divorce proceeding were clearly part of that voluntary calculation. Ward should not be relieved of the consequences of that free choice now that eight years have passed and the competing demands on her time have faded.

III. The Civil Trial Against Ward Did Not "Exonerate" Her On the Charges Brought by the Division.

Ward claims that court rulings in a private suit brought by an investor in one of Calhoun's funds – *Meyer v. Ward, et al.*, 13-C-3303 (N.D. Ill.) – constitute an after-the-fact "exoneration" on the Division's charges. At the outset, the Division cannot find (and Ward does not cite) any authority for the proposition that an action brought by a single private investor can have a retroactive preclusive effect on an earlier Commission enforcement action. If such a doctrine were adopted, the Commission's strong public policy interest in the finality of its settlements would be completely undermined.

Even if there were authority for Ward's position, a closer look at the *Meyer* proceedings reveals that the *Meyer* court never issued factual or legal findings inconsistent with the Division's charges. Ward claims that three orders issued by the *Meyer* court constitute post-hoc "exonerations": (1) the *Meyer* court's ruling on Ward's Motion to Dismiss, (2) its summary judgment ruling, and (3) its opinion and order after a bench trial. A closer look at those three rulings belies Ward's claim and establishes that her argument is based on a flawed reading of the *Meyer* court's holdings.

Plaintiff Meyer was an investor in one of the funds managed by Calhoun. At the time he invested, he also was an employee of Orizon – the third-party investment adviser that Ward worked with to recruit investors. Meyer did not have a direct relationship with Ward or Calhoun. Rather, he invested based on Orizon's recommendation. Nevertheless, Meyer brought a variety of claims

against Ward and Calhoun, including failure to register under Securities Act Section 5 (Count I), Securities Fraud (under the Exchange Act (Count II) and Illinois law (Count III)), breach of fiduciary duty (Count IV), common law fraud (Count V), breach of contract (Count VI), rescission (Count VII), and unjust enrichment (Count VIII).

Ward first highlights a partial victory on her motion to dismiss as purported "exoneration." But, that ruling is of no avail to Ward because it involved two claims that do not overlap with the OIP – *i.e.*, Meyer's claims for breach of fiduciary duty (Count IV) and breach of contract (Count VI). The *Meyer* court's reason for dismissing those two claims was simple and did not hinge on whether Ward committed fraud as alleged in the OIP. The *Meyer* court found that (a) Ward and Calhoun did not owe Meyer a fiduciary duty and (b) Meyer was not a party to a contract with Ward or Calhoun. That holding has no bearing on the Division's fraud claims that Ward settled eight years ago.

Similarly, the *Meyer* court's summary judgment ruling does not "exonerate" Ward. That ruling did not construe whether Ward's conduct met the elements of the Division's fraud claims. Rather, that judgment hinged on an element that the Division need not prove: loss causation. In its ruling, the *Meyer* court granted summary judgement in Ward's favor on Meyer's securities fraud claim under Exchange Act Section 10(b) (Count II) because "even assuming that the alleged misrepresentations were in fact misrepresentations and were material," Meyer had "no evidence as to how the Defendants' misrepresentations regarding past performance and assets under advisement caused his losses." *Meyer v. Ward*, 13-C-3303, 2016 WL 5390953, *4-5 (N.D. Ill. Sept 27, 2016) ("Meyer I"). The court rejected Meyer's common law fraud claim (Count V) for the same reason. (*Id.* at *5.)

That ruling has no bearing on the elements of the fraud claims that Ward settled years earlier. Unlike a private litigant, the Division does not need to prove actual investor harm – or loss causation

– to succeed on a fraud claim. *See, e.g., Schellenbach v. SEC*, 989 F.2d 907, 913 (7th Cir. 1993); *SEC v. Blavin,* 760 F.2d 706, 711 (6th Cir.1985) ("Unlike private litigants seeking damages, the Commission is not required to prove that any investor actually relied on the misrepresentations or that the misrepresentations caused any investor to lose money").

The *Meyer* summary judgment ruling left only four claims for a bench trial. The only charge with elements similar to the claims brought by the SEC was Meyer's claim for securities fraud under the Illinois Securities Act of 1953 (Count III).[4] While the court ultimately ruled in Ward's favor on that count, its ruling, once again, did not "exonerate" Calhoun with respect to the charges brought by the Division years earlier. The *Meyer* court ruled in Ward's favor because Meyer failed to prove that he objectively relied on Ward's misstatements. *See Meyer v. Ward*, 13-C-3303, 2017 WL 6733726, *8-*10 (N.D. Ill. Dec. 18, 2017) ("Meyer II"). That holding has no bearing on the Division's fraud claims because the Division does not need to prove that any individual investor objectively relied on a defendant's fraudulent statements. *See SEC v. Rana Research, Inc.*, 8 F.3d 1358, 1364 (9th Cir. 1993) (SEC not required to prove reliance); *SEC v. Apuzzo*, 689 F.3d 204, 213 (2d Cir. 2012) (same); *German v. SEC*, 334 F.3d 1183, 1191 (10th Cir. 2003) (same). As the Ninth Circuit held in *Rana Research*, the SEC is relieved of having to prove reliance in recognition of the fact that "[c]onduct may be fraudulent and so violate Rule 10b–5, exposing the perpetrator to liability, but may not result in the types of harm necessary to subject the actor to liability to a particular private plaintiff." *Rana Research, Inc.*, 8 F.3d at 1364.

[4] Two of the other three charges that were tried in *Meyer* were premised on Ward's purported failure to (a) register the relevant securities offering (Count I), and (b) register as an investment adviser (Count VII for Rescission). No such claims were made by the Division in the C&D proceeding. The *Meyer* court held that the final count (Count VIII for Unjust Enrichment) would "stand or fall" with the underlying fraud claim.

Far from a "compelling circumstance" dictating review of the Settled Order, the *Meyer* court holdings are irrelevant to the fraud claims that Ward settled.

IV. Ward's Difficulty Raising Money From Investors Is No Basis For Vacating the Settled Order, but Rather Emphasizes The Continuing Need to Protect Investors.

For over eight years, the Commission's Cease & Desist Order has remained in force. In the eight years since her divorce and nearly three years since the civil judgment in *Meyer v. Calhoun*, Ward never argued that those two events should retroactively undo her settlement with the Commission. This raises the question: why now? Ward's brief offers a potential explanation. Ward emphasizes that the Settled Order has hindered her "ability to raise money" for her food company and prevented her from serving on Boards of Directors of both non-profit and for-profit entities. (Ward Br. at 2.) Ward also notes that the Settled Order has damaged her reputation. (*Id.*)

But, those obstacles are not the sort of "compelling circumstance" that would justify modifying the Settled Order. Rather, Ward's difficulty in reentering the investment arena or obtaining employment as a Director is the ordinary and foreseeable consequence of her agreement to resolve the Division's fraud charges. *See, e.g., Wanger*, 2017 WL 2953369 at *4 (holding that respondent's inability to obtain employment was not a "compelling circumstance" justifying the effective vacatur of an industry bar, noting that "difficulty finding suitable employment is among … the natural and foreseeable consequences" that flowed from respondent's agreement to the bar); *see also In the Matter of Gregory T. Bolan, Jr.*, Exchange Act Rel. 85971, 2019 WL 2324336, *6 (May 30, 2019) ("any negative stigma stemming from the settled order is simply a natural consequence of the action taken against Bolan, and cannot be used to justify the settled order's vacatur").

If anything, Ward's brief confirms the continuing need to protect investors in this matter. To this day, Ward does not recognize that she did anything wrong. To the contrary, she still claims that "she did not do the things" that the Division alleges and selectively ignores several of the

misrepresentations alleged in the Settled Order. She admits only that her records were scattered and disorganized, and that she "inadvertently" misstated her assets under management on a form ADV. (Ward Br. 2-3.) In other words, Ward admits at least two of the charges that the Division brought against her while simultaneously denying that she did anything wrong.[5] Disturbingly, she suggests that the Commission should vacate the Settled Order so that she can more easily recruit investors for her business venture. Yet Ward provides no assurances that she can do so without running afoul of federal securities law. Far from establishing that there are "compelling reasons" to vacate the Settled Order, Ward flags a compelling reason not to.

CONCLUSION

Based on the foregoing, the Division respectfully requests that Ward's Motion to Vacate the Commission's Cease & Desist Order be denied.

Respectfully Submitted,

/s/ Timothy S. Leiman

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Dated: November 6, 2020

[5] The Division's fraud claims under Securities Act Section 17(a)(2) and 17(a)(3) would not have required the Division to prove scienter. *See Aaron v. SEC,* 446 U.S. 680, 695-98 (1980); *SEC v. Holschuh*, 694 F.2d 130, 143 (7th Cir. 1982). A showing of negligence – which Ward apparently admits as to false statements in the Form ADV – would have been sufficient. *Id*. Meanwhile, Calhoun appears to concede the Division's claim under Advisers Act Section 204 related to Ward's failure to properly maintain records she was required to keep.

EXHIBIT A

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-14680

In the Matter of **CALHOUN ASSET MANAGEMENT, LLC, and KRISTA LYNN WARD a/k/a KRISTA LYNN KARNEZIS**	**OFFER OF SETTLEMENT OF KRISTA LYNN WARD A/K/A KRISTA LYNN KARNEZIS**

I.

Krista Lynn Ward a/k/a Krista Lynn Karnezis ("Ward"), pursuant to Rule 240(a) of the Rules of Practice of the Securities and Exchange Commission ("Commission") [17 C.F.R. § 201.240(a)] submits this Offer of Settlement ("Offer") in the public administrative and cease-and-desist proceedings instituted against it by the Commission pursuant to Section 8A of the Securities Act of 1933 ("Securities Act"), Section 21C 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").

II.

This Offer is submitted solely for the purpose of settling these proceedings, with the express understanding that it will not be used in any way in these or any other proceedings, unless the Offer is accepted by the Commission. If the Offer is not accepted by the Commission, the Offer is withdrawn without prejudice to Respondent and shall not become a part of the record in these or any other proceedings, except for the waiver expressed in Section V with respect to Rule 240(c)(5) of the Commission's Rules of Practice [17 C.F.R. § 201.240(c)(5)].

III.

On the basis of the foregoing, Respondent Ward hereby:

A. Admits the jurisdiction of the Commission over her and over the matters set forth in the Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 8A of the Securities Act of 1933, Section 21C 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 ("Order");

B. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission or in which the Commission is a party prior to a hearing pursuant to the Commission's Rules of Practice, 17 C.F.R. § 201.100 et seq., and without admitting or denying the findings contained in the Order, except as to the Commission's jurisdiction over her and the subject matter of these proceedings, which are admitted, consents to the entry of an Order by the Commission containing the following findings and remedial sanctions set forth below:

Summary

1. This matter concerns materially false and misleading statements made by Calhoun Asset Management, LLC ("Calhoun"), the investment adviser to two funds of funds, and Respondent Ward, its principal. Ward raised the assets managed by Calhoun by grossly exaggerating Calhoun's assets under management. Ward also made misleading statements about Calhoun's due diligence process, and filed numerous false Forms ADV with the Commission. In addition to making false and misleading statements, Ward failed to maintain records to support the performance that Calhoun claimed in its marketing materials.

Respondents

2. Calhoun is an Illinois limited liability company located in Chicago, Illinois, that was registered with the Commission as an investment adviser from August 31, 2007 until it withdrew its registration on April 22, 2010. Calhoun was the investment adviser to a master fund, "Calhoun Master Fund SPC, Ltd.," a Cayman Islands company, and two feeder funds: "Calhoun Multi-Series Fund LP (f/k/a Triumph Multi-Series Fund)," a Delaware limited partnership, and "Calhoun Fund SPC, Ltd. (f/k/a Calhoun Market Neutral Fund)," a Cayman Islands company. Calhoun has no disciplinary history.

3. Ward, age 41, resides in Park Ridge, Illinois. Ward was the managing member, sole owner, and sole full-time employee of Calhoun. Ward has no disciplinary history.

Other Relevant Entities

4. Skore Financial Management, LLC a/k/a Taipan Wealth Advisors LLC a/k/a FQ Advisors, LLC ("Skore") was an Illinois limited liability company located in Chicago, Illinois, that was registered with the Commission as an investment adviser from January 7, 2002 until February 14, 2011, when its registration was cancelled. Skore was dissolved as a corporate entity on September 11, 2009. Prior to Skore's dissolution, Ward was its CEO and Chief Compliance Officer. Skore has no disciplinary history.

5. Skore Investment Advisory Services, LLC ("SIAS") is a Nevis, West Indies corporation. SIAS is not registered with the Commission. SIAS is the investment adviser to "Triumph Offshore Fund," an offshore fund-of-funds open only to insurance companies. Ward is the managing member of SIAS.

Background

6. In 2006, Ward started two hedge funds – Triumph Multi-Series Fund, a Delaware limited partnership (later renamed Calhoun Multi-Series Fund LP) (the "CMSF Fund"), and Calhoun Market Neutral Fund, a Cayman Islands company (later renamed Calhoun Fund SPC, Ltd.) (the "Calhoun Fund") (together, the "Funds"). The CMSF Fund offered limited partnership interests to investors, while the Calhoun Fund offered several different classes of shares of stock.

7. Calhoun managed the two Funds, and Ward was the managing member and sole full-time employee of Calhoun. Ward set up the CMSF Fund and the Calhoun Fund to each be a fund of funds, investing only in other hedge funds. The stated strategy of the Funds was to seek long term capital growth and positive returns through the selection of investment managers across a widely diversified pool of strategies.

8. Ward attracted capital to the Funds by aggressively marketing herself as an experienced hedge fund manager, despite having no experience in portfolio management. In an effort to promote the Funds, Ward attended various asset management conferences, distributed marketing materials, and established an Internet website. She solicited some investments for the Funds directly from individuals she met at conferences.

False and Misleading Statements to Orizon

9. In 2006, Ward entered into discussions with Orizon Investment Counsel, LLC, an asset management firm registered with the Commission as an investment adviser, in an attempt to attract new investors. During these discussions, Ward told executives at Orizon that she had several hundred million dollars under management.

10. On the due diligence questionnaire filled out by Ward (on behalf of Calhoun and SIAS) and given to Orizon in 2006, in response to the "current assets under management" question, Ward wrote that she had "[a]pproximately $237 million under advisement." In the following question on the questionnaire, which asks about "the growth of assets under management over the last five years," Ward stated that her assets under management grew from $27 million in 1999 to $200 million. At the time she filled out the questionnaire, however, Ward had never had more than $3 million under management.

11. Orizon entered into an Advisory Fee Sharing Agreement with Calhoun in September 2006 (the "Orizon Agreement"). The Orizon Agreement contemplated that Orizon would recommend certain of its advisory clients to invest in the CMSF Fund. Orizon communicated to its advisory clients that Calhoun had a substantial amount of assets under management, based on what Ward had told Orizon. Orizon also gave a copy of the due diligence questionnaire filled out by Ward to some of its advisory clients.

12. Approximately twenty of Orizon's advisory clients purchased limited partnership interests in the CMSF Fund, making Orizon the largest source of investors in Calhoun's Funds. Ward's representations that she had hundreds of millions of dollars under management were instrumental in convincing Orizon to recommend that its clients invest in the CMSF Fund.

Calhoun's Marketing Materials

13. Ward created various marketing materials in an attempt to attract investors. Ward distributed the marketing materials to prospective investors at conferences and through third parties, and made them available on an Internet website. These marketing materials contain various misrepresentations and unsupported performance claims.

14. The marketing materials refer to a 10-year track record with 11+% average annual returns. Ward, however, did not maintain documentation supporting this track record. Ward only maintained records dating back to 2007, and her recordkeeping was scattered and disorganized.

15. The marketing materials also contain misrepresentations about performance returns. In a PowerPoint presentation Ward provided to prospective and current investors, via Orizon and through her marketing activities, Ward included a full-page chart of monthly and annual performance returns from 1999 through 2009. The legend at the bottom of the page states that "[t]hese returns represent our flagship fund, Calhoun Fund SPC, Ltd." Calhoun Fund SPC, Ltd., however, did not commence operations until January 1, 2007 – and therefore the fund had no performance return data from 1999 through 2006.

16. Calhoun's marketing materials state that Ward "Grew [Skore] from $0 to $313M" – suggesting that Skore had over $300 million under management. Skore, however, never had any assets under management.

False and Misleading Statements Regarding Due Diligence

17. Calhoun touted its due diligence capabilities in marketing materials, written by Ward and provided to prospective and current investors, which described the criteria for selecting managers: past performance; diversification in relation to other managers; assets under management; absence of significant conflicts of interest; overall integrity and reputation; percentage of business time devoted to investment activities; and fees charged.

18. Calhoun also described a network of sources for identifying prospective managers. Calhoun represented that its due diligence included regular monitoring and performance reviews of managers, conducted at least monthly, along with periodic visits to managers. In materials available on its Internet website and authored by Ward, Calhoun stated that "we take every precaution necessary to complete **thorough due diligence and research** on every manager we recommend" (emphasis in original).

19. Calhoun's actual due diligence, however, was virtually nonexistent. Indeed, Ward did not even perform the due diligence herself, instead outsourcing the due diligence to a

third party, Second City Alternatives, LLC ("Second City"). Once Ward outsourced the due diligence to Second City, Ward did not perform any due diligence services, nor did she oversee Second City. According to Ward, Second City breached its agreement to perform the due diligence, did not provide any due diligence reports, and only substantiated its services with some handwritten notes.

False and Misleading Statements on Forms ADV

20. On the Forms ADV she filed with the Commission, Ward repeatedly misrepresented Calhoun's assets under management. Ward first registered Calhoun as an investment adviser on August 31, 2007. On Calhoun's Form ADV, which Ward herself completed and electronically signed in her capacity as the managing member of Calhoun, Ward stated that Calhoun had $30 million in assets under management. In reality, at the time, Calhoun had less than $6 million under management.

21. On February 18, 2009, Ward filed an amendment to Calhoun's Form ADV. Ward herself completed and electronically signed the amendment in her capacity as the "owner" of Calhoun. Ward represented that Calhoun had $79.8 million in assets under management. In reality, at the time, Calhoun had approximately $7 million under management. Ward never amended the Form ADV to reflect Calhoun's actual assets under management.

22. Ward also misrepresented Skore's assets under management throughout its existence. From 2004 through 2008, in Forms ADV which Ward herself completed and electronically signed, Ward reported figures for Skore's assets under management ranging from $24 million to $335 million. In reality, Skore never had any assets under management.

Violations

23. As a result of the conduct described above, Calhoun and Ward willfully violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the offer and sale of securities and in connection with the purchase or sale of securities;

24. As a result of the conduct described above, Calhoun willfully violated, and Ward willfully aided and abetted and caused Calhoun's violations of, Section 203A of the Advisers Act by registering with the Commission as an investment adviser despite being prohibited from doing so;

25. As a result of the conduct described above, Calhoun willfully violated, and Ward willfully aided and abetted and caused Calhoun's violations of, Section 204 of the Advisers Act and Rule 204-2(a)(16) thereunder by failing to keep all documents that are necessary to form the basis for, or demonstrate the calculation of, the performance or rate of return of any or all managed accounts that it used in advertisements or other communications distributed to 10 or more persons;

26. As a result of the conduct described above, Calhoun and Ward willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder by making false or misleading statements to, or otherwise defrauding, investors or prospective investors in a pooled investment vehicle; and

27. As a result of the conduct described above, Calhoun and Ward willfully violated Section 207 of the Advisers Act by making untrue statements of a material fact in registration applications or reports filed with the Commission and willfully omitting to state in such applications or reports material facts which were required to be stated therein.

IV.

On the basis of the foregoing, Respondent Ward hereby consents to the entry of an Order by the Commission imposing the following sanctions pursuant to Section 8A of the Securities Act, Section 21C 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:

A. Respondent Ward shall cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 203A, 204, 206(4), and 207 of the Advisers Act and Rules 204-2(a)(16) and 206(4)-8 promulgated thereunder.

B. Respondent Ward be, and hereby is:

i. barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, provided however, that for a period of up to eight months from the entry of this Order, Ward may, solely for the purposes of completing the wind down of Calhoun, making final payments and distributions to investors in the funds Calhoun manages, and preserving value for those investors in the interim, (a) participate in advisory activities and (b) continue to be associated with Calhoun while Calhoun acts as an investment adviser;

ii. 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;

with the right to apply for reentry after five (5) years to the appropriate self-regulatory organization, or if there is none, to the Commission.

C. Any reapplication for association by the Respondent 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.

D. Respondent Ward shall pay a civil money penalty, on a joint and several basis with Respondent Calhoun, of $50,000.00 to the United States Treasury. Payment shall be made in the following installments: $25,000.00 on or before August 15, 2012; $10,000.00 on or before October 31, 2012; $10,000.00 on or before December 31, 2012; and $5,000.00 on or before March 30, 2013. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of the civil penalty, plus any additional interest accrued pursuant to 31 U.S.C. 3717, shall be due and payable immediately, without further application. Payments shall be: (A) made by wire transfer, United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Securities and Exchange Commission, Office of Financial Management, 100 F St., NE, Stop 6042, Washington, DC 20549; and (D) submitted under cover letter that identifies Krista Lynn Ward a/k/a Krista Lynn Karnezis as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Timothy L. Warren, Division of Enforcement, Securities and Exchange Commission, 175 W. Jackson Blvd., Suite 900, Chicago, IL, 60604.

V.

By submitting this Offer, Respondent hereby acknowledges her waiver of those rights specified in Rules 240(c)(4) and (5) [17 C.F.R. §201.240(c)(4) and (5)] of the Commission's Rules of Practice. Respondent also hereby waives service of the Order.

VI.

Respondent understands and agrees to comply with the Commission's policy "not to permit a defendant or respondent to consent to a judgment or order that imposes a sanction while denying the allegations in the complaint or order for proceedings" (17 C.F.R. §202.5(e)). In compliance with this policy, Respondent agrees: (i) not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any finding in the Order or creating the impression that the Order is without factual basis; and (ii) that upon the filing of this Offer of Settlement, Respondent hereby withdraws any papers previously filed in this proceeding to the extent that they deny, directly or indirectly, any finding in the Order. If Respondent breaches this agreement, the Division of Enforcement may petition the Commission to vacate the Order and restore this proceeding to its active docket. Nothing in this provision affects Respondent's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the Commission is not a party.

VII.

Consistent with the provisions of 17 C.F.R. § 202.5(f), Respondent waives any claim of Double Jeopardy based upon the settlement of this proceeding, including the imposition of any remedy or civil penalty herein.

VIII.

Respondent hereby waives any rights under the Equal Access to Justice Act, the Small Business Regulatory Enforcement Fairness Act of 1996, or any other provision of law to seek from the United States, or any agency, or any official of the United States acting in his or her official capacity, directly or indirectly, reimbursement of attorney's fees or other fees, expenses, or costs expended by Respondent to defend against this action. For these purposes, Respondent agrees that Respondent is not the prevailing party in this action since the parties have reached a good faith settlement.

IX.

Respondent understands that by settling to a bar with the right to reapply as specified in the Commission's Order, Respondent will be able to make an application to reapply after the specified time period. This application, however, does not guarantee reentry. Rather, Respondent's application will be subject to the applicable law governing the reentry process and Respondent's reentry will be subject to the discretion of the Commission. An application made to a self-regulatory organization will be reviewed by the self-regulatory organization and the Commission pursuant to Rule 19h-1 [17 C.F.R. 240.19h.1] and applicable rules of the self-regulatory organization. An application made directly to the Commission will be reviewed under the processes specified in Rule 193 of the Commission's Rules of Practice [17 C.F.R. 201.193], or as specified in the order in this proceeding. To the extent a state licensing authority may require reapplication for a state license, state law may apply.

X.

Respondent agrees that she shall not seek or accept, directly or indirectly, reimbursement or indemnification from any source including, but not limited to, payment made pursuant to any insurance policy, with regard to any penalty amounts that Respondent shall pay pursuant to this Order, regardless of whether such penalty amounts or any part thereof are added to a distribution fund or otherwise used for the benefit of investors. Respondent further agrees that she shall not claim, assert, or apply for a tax deduction or tax credit with regard to any federal, state or local tax for any penalty amounts that Respondent shall pay pursuant to this Order, regardless of whether such penalty amounts or any part thereof are added to a distribution fund or otherwise used for the benefit of investors.

XI.

Respondent states that she has read and understands the foregoing Offer, that this Offer is made voluntarily, and that no promises, offers, threats, or inducements of any kind or nature whatsoever have been made by the Commission or any member, officer, employee, agent, or representative of the Commission in consideration of this Offer or otherwise to induce her to submit to this Offer.

12th Day of April 2012

Krista Lynn Ward a/k/a
Krista Lynn Karnezis

STATE OF ILLINOIS }
} **SS:**
COUNTY OF COOK }

The foregoing instrument was acknowledged before me this 12th day of April, 2012, by Krista Lynn Ward a/k/a Krista Lynn Karnezis, who ✓ is personally known to me or ___ who has produced an Illinois driver's license as identification and who did take an oath.

Notary Public
State of Illinois
Commission Number
Commission Expiration

EXHIBIT B

1 - 2 of 2 results

	Action Number	Receivable Number	HUB ID Code	HUB ID Name	Debtor Status	Compromise Status	BPAC Number	Amount Owed	Post JI	Receivable Amount Total	Discharged Amount	Collected/Offl Amount	Outstanding Total Amount
◉	C-07721-B	C-07721-B1	[redacted]	Ward, Krista Lynn	Active		[redacted]	$50,000.00	$749.52	$50,749.52	$0.00	$48,000.00	$2,749.52
○	C-07721-B	C-07721-B1	[redacted]	Calhoun Asset Management, LLC	Discharged		[redacted]	$50,000.00	$749.52	$50,749.52	$0.00	$48,000.00	$2,749.52