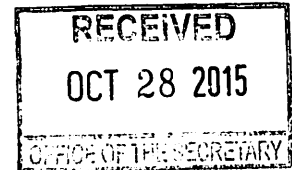


UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549



ADMINISTRATIVE PROCEEDING
File No. 3-16883

In the Matter of

ARTHUR F. JACOB, CPA
and INNOVATIVE BUSINESS
SOLUTIONS, LLC

Respondents.

RESPONDENTS' ANSWER FILED
PURSUANT TO RULE 220 OF THE
COMMISSION'S RULES OF
PRACTICE, 17 C.F.R. § 201.220

I.

Respondents Arthur F. Jacob ("Jacob") and Innovative Business Solutions, LLC ("IBS") (collectively "Respondents"), through undersigned counsel and pursuant to Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220 submits their answer to the Securities and Exchange Commission's ("SEC") Order Instituting Administrative and Cease-and-Desist Proceedings ("Order") filed on October 5, 2015 as follows:

II.

A. SUMMARY

1. The allegations in Section II(A)(1) of the Order represent a summary of the SEC's allegations and therefore no response is required. To the extent a response is required, the Respondents deny the allegations in Section II(A)(1) of the Order.

2. The allegations in Section II(A)(2) of the Order represent a summary of the SEC's allegations and therefore no response is required. To the extent a response is required, the Respondents admit that Respondent Jacob owns and controls Respondent IBS, but deny the remaining allegations in Section II(A)(2) of the Order.

3. The allegations in Section II(A)(3) of the Order represent a summary of the SEC's allegations and therefore no response is required. To the extent a response is required, the Respondents deny the allegations in Section II(A)(3) of the Order.

4. The allegations in Section II(A)(4) of the Order represent a summary of the SEC's allegations and therefore no response is required. To the extent a response is required, the Respondents deny the allegations in Section II(A)(4) of the Order.

5. The allegations in Section II(A)(5) of the Order represent a summary of the SEC's allegations and therefore no response is required. To the extent a response is required, the Respondents deny the allegations in Section II(A)(5) of the Order.

6. Respondent Jacob admits that he asserted his Fifth Amendment privilege against self-incrimination with respect to certain questions asked during testimony taken by the Commission during the Division's investigation of this matter and states that the transcript of the testimony speaks for itself. Respondent IBS defers to Respondent Jacob's answer to this allegation of the Order.

B. RESPONDENTS

7. Respondent Jacob admits the allegations in the first, second, and third sentences in Section II(B)(7) of the Order. Respondent Jacob admits that he was licensed as an attorney by the State of Maryland but denies the SEC's categorization of the disbarment. Respondent Jacob admits the remaining allegations in Section II(B)(7) of the Order. Respondent IBS defers to Respondent Jacob's answer to this allegation of the Order.

8. Respondent IBS admits the allegations in the first and second sentences of Section II(B)(8) of the Order. Respondents deny the allegations in the third sentence of Section II(B)(8) of the Order. Respondent IBS admits the remaining allegation in Section II(B)(8) of the Order. Respondent Jacob defers to Respondent IBS's answer to this allegation of the Order.

C. FACTS

9. Respondents deny the allegations in Section II(C)(9) of the Order, including the summary of the facts presented in bold after the allegations in Section II(C)(9).

10. Respondents deny the allegations in Section II(C)(10) of the Order, including the summary of the facts presented in bold before the allegations in Section II(C)(10).

11. Respondents deny the allegations in Section II(C)(11) of the Order.

12. Respondents deny the allegations in Section II(C)(12) of the Order.

13. Respondents admit that from approximately mid-2009 to late 2011 Respondent Jacob and certain IBS clients held accounts at a Montana branch of a large firm which is dually registered with the Commission as both an investment adviser and a broker-dealer ("Firm One"). Respondents admit that certain clients signed "Durable Power of Attorney / Security Account Limited Discretionary Authorization" forms but denies the remaining allegations in Section II(C)(13) of the Order.

14. Respondents admit that in early 2012, certain IBS clients maintained accounts at a Florida branch office of a different large, dually registered firm (“Firm Two”), and later to a third firm but denies the allegation that Respondent Jacob “moved his client’s accounts.” Respondents admit that clients signed a “Third Party Authorization and Indemnity Form,” but deny the remaining allegations in Section II(C)(14) of the Order.

15. Respondents admit that at Firm One and Firm Two, financial advisers or brokers were assigned to Respondent Jacob’s clients’ accounts but deny the remaining allegations of Section II(C)(15) of the Order.

16. Respondents deny the allegations of Section II(C)(16) of the Order. To the extent that the allegations cite an alleged statement made by either Respondent whether orally or written, the Respondents deny the statement and demand strict proof thereof.

17. Respondents deny the allegations of Section II(C)(17) of the Order. To the extent that the allegations cite an alleged statement made by either Respondent whether orally or written, the Respondents deny the statement and demand strict proof thereof.

18. Respondents admit that for certain clients, they had access to clients’ account statements, but denies the SEC’s categorization of the analyses in Section II(C)(18) of the Order and thus denies the remaining allegations therein.

19. Respondents deny the allegations of Section II(C)(19) of the Order. To the extent that the allegations cite an alleged statement made by either Respondent whether orally or written, the Respondents deny the statement and demand strict proof thereof.

20. Respondents deny the allegations of Section II(C)(20) of the Order. To the extent that the allegations cite an alleged statement made by either Respondent whether orally or written, the Respondents deny the statement and demand strict proof thereof.

21. Respondents deny the allegations of Section II(C)(21) of the Order. To the extent that the allegations cite an alleged statement made by either Respondent whether orally or written, the Respondents deny the statement and demand strict proof thereof.

22. Respondents admits that invoices for services were sent to clients, but denies the SEC’s categorization of the invoices in Section II(C)(22) of the Order, and thus denies the allegations therein.

23. Respondents deny the allegations in Section II(C)(23) of the Order. Although Respondents deny acting as investment advisors in any capacity, to the extent that the allegations regarding investment advisory services are found to be true by this Commission, the investment advisory services Respondents provided were solely incidental to the accounting and tax services Respondents provided during the relevant period. *See* 15 U.S.C. § 80b-2(a)(11)(B) and Affirmative Defenses, *infra*.

24. Respondents admit that Respondent Jacob communicated with clients, but denies the SEC's categorization of the communications in Section II(C)(24) of the Order, and thus denies the allegations therein.

25. Respondents deny the allegations of Section II(C)(25) of the Order.

26. Section II(C)(26) appears to state the SEC's recitation of a legal standard, and to that extent no response is required. To the extent a response is required, Respondents acknowledge the general legal standard set forth by the SEC, but deny the allegations in Section II(C)(26) of the Order.

27. Respondents deny the allegations of Section II(C)(27) of the Order, and the bold heading after the allegation.

28. Respondent Jacob admits that he was an attorney licensed to practice law in the State of Maryland from December 1989 until July 2003. Respondent Jacob denies the remaining allegations of Section II(C)(28) of the Order. To the extent that the allegations cite Court documents, the Respondents deny the allegations and demands strict proof thereof. Respondents also deny the bold heading before this allegation. Respondent IBS defers to Respondent Jacob's answer to this allegation of the Order.

29. Respondent Jacob admits that a Joint Petition for Disbarment was filed with the Court of Appeals of Maryland regarding his admission to the Maryland bar. Respondent Jacob denies the remaining allegations of Section II(C)(29) of the Order. Respondent IBS defers to Respondent Jacob's answer to this allegation of the Order.

30. Respondents deny the allegations of Section II(C)(30) of the Order.

31. Respondents deny the allegations of Section II(C)(31) of the Order. To the extent that the allegations cite an alleged statement made by either Respondent whether orally or written, the Respondents deny the statement and demand strict proof thereof.

32. Respondents deny the allegations of Section II(C)(32) of the Order. To the extent that the allegations cite an alleged statement made by either Respondent whether orally or written, the Respondents deny the statement and demand strict proof thereof.

33. Respondents deny the allegations of Section II(C)(33) of the Order. To the extent that the allegations cite an alleged statement made by either Respondent whether orally or written, the Respondents deny the statement and demand strict proof thereof.

34. Respondents deny the allegations of Section II(C)(34) of the Order. To the extent that the allegations cite an alleged statement made by either Respondent whether orally or written, the Respondents deny the statement and demand strict proof thereof.

35. Respondents deny the allegations of Section II(C)(35) of the Order. Furthermore, to the extent that the allegations state a legal conclusion, no response is necessary but to the extent such a response is required, the allegations are denied.

36. Respondent Jacob admits that he was suspended from practicing before the IRS on or about March 8, 2005, but denies the remaining allegations in Section II(C)(36) of the Order. Respondents also deny the bold summary sentence after Section II(C)(36) of the Order. Respondent IBS defers to Respondent Jacob's answer to this allegation of this Order.

37. Respondents deny the allegations in the first sentence of Section II(C)(37) of the Order. The remaining allegations of Section II(C)(37) appear to be the SEC's summary of an investment product for which no response is required. To the extent a response is required, the Respondents are without sufficient information to admit or deny the remaining allegations of Section II(C)(37).

38. Respondents deny the allegations of Section II(C)(38) of the Order. To the extent that the allegations cite an alleged statement made by either Respondent whether orally or written, the Respondents deny the statement and demands strict proof thereof.

39. Respondents deny the allegations of Section II(C)(39) of the Order.

40. Respondents deny the allegations of Section II(C)(40) of the Order. To the extent that the allegations cite an alleged statement made by either Respondent whether orally or written, the Respondents deny the statement and demands strict proof thereof.

41. Respondents deny the allegations of Section II(C)(41) of the Order.

42. Respondents deny the allegations of Section II(C)(42) of the Order. The allegations of Section II(C)(42) appear to contain the SEC's summary of an investment product for which no response is required. To the extent a response is required, the Respondents are without sufficient information to admit or deny the remaining allegations of Section II(C)(42).

43. Respondents deny the allegations of Section II(C)(43) of the Order.

44. Respondents deny the allegations of Section II(C)(44) of the Order.

45. Respondents deny the allegations of Section II(C)(45) of the Order. To the extent that the allegations cite an alleged statement made by the either Respondent whether orally or written, the Respondents deny the statement and demand strict proof thereof.

46. Respondents deny the allegations of Section II(C)(46) of the Order. To the extent that the allegations cite an alleged statement made by either Respondent whether orally or written, the Respondents deny the statement and demand strict proof thereof.

47. Respondents deny the allegations of Section II(C)(47) of the Order. To the extent that the allegations cite an alleged statement made by either Respondent whether orally or written, the Respondents deny the statement and demand strict proof thereof.

48. Respondents deny the allegations of Section II(C)(48) of the Order. Respondents also deny the bold summary sentence after Section II(C)(48) of the Order.

49. Respondents deny the allegations of Section II(C)(49) of the Order. To the extent that the allegations cite an alleged statement made by either Respondent whether orally or written, the Respondents deny the statement and demand strict proof thereof. Respondents also deny the bold summary sentences before and after Section II(C)(49) of the Order.

50. Respondents deny the allegations of Section II(C)(50) of the Order.

51. Respondents are without sufficient information to admit or deny the allegations of the first sentence of Section II(C)(51) of the Order. Respondents deny the remaining allegations of Section II(C)(51) of the Order.

52. Respondents admit that a letter was sent to “Firm Two” on or about July 2012 but deny the categorization of the letter in Section II(C)(52) of the Order and therefore denies the remaining allegations therein.

53. Respondents admit that a letter was sent by an attorney to “Firm Two” but deny the categorization of the letter in Section II(C)(53) of the Order and therefore denies the remaining allegations therein. Respondents also deny the bold summary sentence after Section II(C)(53) of the Order.

54. Respondents deny the allegations of Section II(C)(54) of the Order. To the extent that the allegations cite an alleged statement made by either Respondent whether orally or written, the Respondents deny the statement and demand strict proof thereof. Respondents also deny the bold summary sentences before Section II(C)(54) of the Order.

55. Respondents deny the allegations of Section II(C)(55) of the Order.

56. Respondents deny the allegations of Section II(C)(56) of the Order.

D. TOLLING AGREEMENT

57. Respondents admit that they entered into tolling agreements in which they agreed to toll any applicable statute of limitations period up to and including March 10, 2015, through October 5, 2015.

E. VIOLATIONS

58. Section II(E)(58) of the Order is a summary allegation setting forth the SEC’s alleged violation of law. As the allegations are statements of law no response is required. To

the extent a response is required, Respondents deny the allegations of Section II(E)(58) of the Order.

59. Section II(E)(59) of the Order is a summary allegation setting forth the SEC's alleged violation of law. As the allegations are statements of law no response is required. To the extent a response is required, Respondents deny the allegations of Section II(E)(59) of the Order.

III.

The Respondents deny that the SEC is entitled to the relief sought in the Order and Sections A-E and demand a hearing in resolution thereof pursuant to Commission Rules.

IV.

The Respondents deny that the SEC is entitled to the relief sought in the Order and Section IV and demand a hearing in resolution thereof pursuant to Commission Rules.

AFFIRMATIVE DEFENSES

1. Although Respondents deny acting as investment advisors in any capacity, to the extent that the allegations regarding investment advisory services are found to be true by this Commission, the investment advisory services Respondents provided were solely incidental to the accounting and tax services Respondents provided during the relevant period. See 15 U.S.C. § 80b-2(a)(11)(B).
2. The allegations in the Order fail to state a claim for which relief can be granted.
3. The allegations in the Order were due to the conduct of a person, persons, entity, or entities other than the Respondents over which the Respondents had no control or right of control, including but not limited to employees and/or representatives of Firm One and Firm Two as reflected in the Order.
4. The allegations in the Order are barred by superseding and/or intervening causation.
5. The allegations in the Order are barred by res judicata, including but not limited to the Joint Petition for Disbarment and Order related thereto.
6. The Respondents relied on the advise of counsel with respect to certain allegations set forth in the Order, and may present such defense at trial in this matter.
7. The Respondents respectfully reserve the right to raise any additional affirmative defenses based on information obtained during discovery or from another source.

WHEREFORE, the Respondents, having fully answered, hereby respectfully request a hearing pursuant to the Commission's Rules of Practice.

Dated: October 27, 2015

Respectfully submitted,

**ARTHUR F. JACOB, CPA and
INNOVATIVE BUSINESS
SOLUTIONS, LLC**



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Counsel for Respondents

CERTIFICATE OF SERVICE

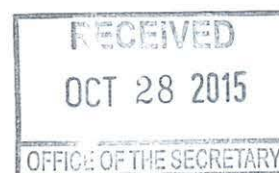
I hereby certify that on October 27, 2015 a true and correct copy of the foregoing was served via U.S. mail, postage prepaid, to the following parties:

Joshua E. Braunstein
Stephan J. Schlegelmilch
Breanne E. Atzert
U.S. Securities and Exchange Commission
Division of Enforcement
100 F Street, N.E.
Washington, D.C. 20549-5985

The Honorable Jason S. Patil
Administrative Law Judge
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-5985



Brian W. Stolarz



October 27, 2015

VIA OVERNIGHT MAIL

Secretary of the Commission
U.S. Securities and Exchange Commission
100 F Street, N.E
Washington, D.C. 20549-5985

**RE: In the Matter of Arthur F. Jacob and Innovative Business Solutions, LLC
Administrative Proceeding File No. 3-16883**

Dear Secretary:

Pursuant to Sections 151(b) and 152(d) of the Commission's Rules of Practice, enclosed please find an original and four (4) copies of Respondents' Answer concerning the above-referenced proceeding. Please date-stamp one (1) of the copies and return it to us using the enclosed prepaid, self-addressed envelope.

Thank you for your attention to this matter. If you have any questions please contact Mr. Brian W. Stolarz, counsel for respondents in this matter. He can be reached at (703) 647-5946 or by e-mail at Brian.Stolarz@leclairryan.com.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Maiko U. Davidson'.

Maiko U. Davidson
Assistant to Brian W. Stolarz

Enclosures

cc: Joshua E. Braunstein (via U.S. Mail)
Stephan J. Schlegelmilch (via U.S. Mail)
Breanne E. Atzert (via U.S. Mail)
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