

**UNITED STATES OF AMERICA  
before the  
SECURITIES AND EXCHANGE COMMISSION**

**INVESTMENT ADVISERS ACT OF 1940  
Release No.**

**ADMINISTRATIVE PROCEEDING  
File No. 3-21121**

**In the Matter of**

**RON K. HARRISON,**

**Respondent.**

**DIVISION OF ENFORCEMENT'S  
MOTION FOR ENTRY OF  
DEFAULT JUDGMENT AND  
REMEDIAL SANCTIONS**

**TABLE OF CONTENTS**

I. PROCEDURAL HISTORY ..... 1

II. FACTUAL BACKGROUND..... 2

    A. The Allegations and Evidence in District Court..... 2

    B. Harrison Consents to Judgment ..... 4

III. ARGUMENT ..... 4

    A. Section 203(f) Relief is Appropriate Based Upon Harrison’s Default ..... 4

    B. The Commission Should Impose Permanent Bars Against Harrison ..... 6

IV. CONCLUSION..... 8

## TABLE OF AUTHORITIES

### CASES

<i>In re Conrad A. Coggeshall</i> , Exchange Act Release No. 97474, Advisers Act Release No. 6306, 2023 WL 3433398 (May 10, 2023) .....	3
<i>In re Kenny</i> , Advisers Act Rel. No. 2128 (May 14, 2003) .....	5
<i>In the Matter of Alexander v. Stein</i> , 59 S.E.C. Docket 1115, 1995 WL 358127 .....	6
<i>In the Matter of Gunderson</i> , Exchange Act Release No. 61234, 2009 SEC LEXIS 4322 (Dec. 23, 2009).....	6
<i>In the Matter of James E. Franklin</i> , Exchange Act Rel. No. 56649 (Oct. 12, 2007), 91 S.E.C. Docket 2708, 2007 WL 2974200, <i>petition for review denied</i> , 285 F. App'x 761 (D.C. Cir. 2008) .....	6
<i>In the Matter of Lawrence Allen DeShetler</i> , Investment Advisers Act Release No. 5411, Commission Opinion (Admin. Proc. File No. 3-18854 Nov. 21, 2019).....	7
<i>In the Matter of Peter J. Eichler, Jr.</i> , Initial Dec. Rel. No. 1032, 2016 WL 4035559 (July 8, 2016) .....	6
<i>SEC v. Haligiannis</i> , 470 F. Supp. 2d 373 (S.D.N.Y. 2007) .....	5
<i>Steadman v. SEC</i> , 603 F.2d 1126 (5th Cir. 1979), <i>affd on other grounds</i> , 450 U.S. 91 (1981).....	6

### FEDERAL STATUTES

#### Securities Act of 1933

Section 17(a) [15 U.S.C. § 77q(a)].....	4, 5
--	------

#### Securities Exchange Act of 1934

Section 10(b) [15 U.S.C. § 78j(b)] .....	4, 5
---	------

#### Investment Advisers Act of 1940

Section 202(a)(11) [15 U.S.C. § 80b-2(a)(11)].....	5
---	---

Section 203(e)(4) [15 U.S.C. § 80b-3(e)(4)].....	5
Section 203(f) [15 U.S.C. § 80b-3(f)].....	5, 8
Section 206(1) [15 U.S.C. § 80b-6(1)].....	4, 5
Section 206(2) [15 U.S.C. § 80b-6(2)].....	4, 5
<b><u>FEDERAL REGULATIONS</u></b>	
17 C.F. R. § 201.343.....	3
Rule 10b-5 [17 C.F.R. § 240.10b-5].....	4, 5
<b><u>COMMISSION'S RULES OF PRACTICE</u></b>	
Rule 155(a) [17 C.F.R. § 201.155(a)].....	4
Rule 220(f) [17 C.F.R. 201.220(f)].....	4

Pursuant to the December 18, 2023 Order to Show Cause in this matter, Investment Adv. Act Release No. 6506 (September 21, 2022), the Division of Enforcement (“Division”) submits this motion for default judgment and sanctions against Respondent Ron K. Harrison (“Harrison” or “Respondent”). More specifically, the Division requests, based upon the entry of the permanent injunction against Harrison described below, that the Securities and Exchange Commission (“Commission”) bar Harrison from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical ratings organization (“NRSRO”).

## **I. PROCEDURAL HISTORY**

On September 21, 2022, the Commission issued an Order Instituting Administrative Proceedings Pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) and Notice of Hearing (“OIP”). *See* Investment Advisers Act of 1940 Release No. 6142 (September 21, 2022). The OIP alleged that from 1988 to early 1990, Harrison held Series 7 and 63 securities licenses and was a registered representative associated with various broker-dealers. (*See* OIP at ¶ A.1) The OIP also alleged that in June 1992, the Financial Industry Regulatory Authority (“FINRA”) barred Harrison from affiliating with any member firm. (*Id.*) The OIP also alleged that Harrison, acting as an unregistered investment adviser, traded options in his clients’ online brokerage accounts, sent his clients monthly invoices misrepresenting the gains from his trading and collected improper performance fees from them based on the overstated gains. (*Id.* at ¶ B.3) The OIP also alleged that Harrison touted his experience as a Wall Street trader but did not disclose that FINRA had previously barred him from associating with any FINRA member. (*Id.*)

As described in the OIP, the Commission filed a civil enforcement against Harrison in the United State District Court for the Central District of California in an action titled *Securities and Exchange Commission v. Ron K. Harrison, et al.*, Civil Action Number 8:21-cv-01610-JVS-DFM (*Id.* at ¶ B.2) On April 21, 2022, a judgment was entered by consent against Harrison, permanently enjoining him from future violations of Section 17(a) of the Securities Act of 1933 (“Securities Act”), Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”), and Rule 10b-5 thereunder, Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 (“Advisers Act”), and enjoining him from accessing any securities brokerage account of any third-party. (*See* Declaration of Kathryn C. Wanner (“Wanner Decl.”), Ex. A, Dkt. 37)

After initiating this administrative proceeding, on September 19, 2023, the Division served Harrison with the OIP through personal service. (*See* Declaration of Kathryn C. Wanner Regarding Service of OIP to Respondent Ron K. Harrison, Investment Advisers Act of 1940, Release No. 6246, September 20, 2023) The Commission determined that this was service on Harrison pursuant to Rule 141(a)(2)(i) of the Commission’s Rules of Practice. (*See* Order to Show Cause, Investment Advisers Act of 1940 Release No. 6506, December 18, 2023) Harrison failed to answer or otherwise defend this proceeding. (*Id.*) The Commission subsequently issued an Order to Show Cause, requiring Harrison to explain why he should not be found in default and have this proceeding determined against him. (*Id.*) However, as of the date of this filing, Harrison has not filed any response.

## **II. FACTUAL BACKGROUND**

### **A. The Allegations and Evidence in District Court**

On September 30, 2021, the Commission filed a district court Complaint alleging that Harrison, an unregistered investment adviser, violated the securities laws by, among other things,

misrepresenting the purported gains in his client accounts and collecting improper performance fees based on the purported gains. On October 12, 2021, the Commission filed, by right, its First Amended Complaint, including as a remedy injunctive relief erroneously omitted from the original Complaint. (*See* Wanner Decl. Ex. B, First Amended Complaint Dkt. No. 12) Harrison waived service of process via stipulation to a preliminary injunction on October 13, 2021.<sup>1</sup>

Harrison was an Orange County based unregistered investment adviser. (Wanner Decl. Ex. B at ¶ 5) From at least 2016 through August of 2021, Harrison, who had been barred by FINRA from affiliating with any member brokerage firm, acted as an unregistered investment adviser and trading options in his clients' online brokerage accounts. (*Id.* at ¶ 6) Through at least June of 2021, Harrison sent his clients monthly invoices misrepresenting the purported gains from his trading in the clients' accounts in order to collect an improper performance fee from them based on the overstated gains. (*Id.* at ¶ 7) From 2016 through the present, Harrison's clients suffered net combined losses of over \$2 million from Harrison's trading. (*Id.* at ¶ 8) Despite these losses to his clients, Harrison collected over \$900,000 in fees from them. (*Id.*) Harrison also defrauded his clients and prospective clients by touting his experience as a "Wall Street" trader but not disclosing that FINRA barred him from the securities industry for misappropriating money from customers and engaging in unauthorized trading in his customers' accounts. (*Id.* at ¶ 10)

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<sup>1</sup> Under Rule of Practice 323, the Commission may take judicial notice of the record in the district court action. *See* 17 C.F. R. § 201.343; *In re Conrad A. Coggeshall*, Exchange Act Release No. 97474, Advisers Act Release No. 6306, 2023 WL 3433398, at \*2 n.6 (May 10, 2023) (relying on Commission filings in the district court docket).

## **B. Harrison Consents to Judgment**

On April 21, 2022, a judgment was entered by consent against Harrison, permanently enjoining him from future violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act of 1934, and Rule 10b-5 thereunder, Sections 206(1) and 206(2) of the Advisers Act, and enjoined him from accessing any securities brokerage account of any third-party.

(Wanner Decl. Ex. A, Dkt. No. 37)

## **III. ARGUMENT**

### **A. Section 203(f) Relief is Appropriate Based Upon Harrison’s Default**

Rule 220(f) of the Commission’s Rules of Practice provides that if a “respondent fails to file an answer... within the time provided, such person may be deemed in default pursuant to Rule 155(a).” 17 C.F.R. § 201.220(f). In turn, Rule 155(a) of the Commission’s Rules of Practice allows the Commission to “determine the proceeding against [a respondent] upon consideration of the record, including the order instituting proceedings, **the allegations of which may be deemed to be true.**” 17 C.F.R. § 201.155(a)(emphasis added).

On December 18, 2023, the Commission issued the Order to Show Cause finding that Harrison failed to respond to the OIP within the specified twenty days. (*See* Order to Show Cause, Investment Advisers Act of 1940 Release No. 6506, December 18, 2023) That Order gave Harrison until January 2, 2024 to show cause as to why he should not be deemed to be in default and why this proceeding should not be determined against him due to his failure to file an answer and to otherwise defend the proceeding. (*Id.*) The Division has not received any response from Harrison, and therefore moves for findings and remedies by default in accordance with the deadline specified in the Order to Show Cause.



The Commission may impose remedial sanctions under Section 203(f) if a respondent is the subject of a permanent court injunction prohibiting conduct associated with the purchase or sale of a security or from performing certain actions in connection with the securities industry. 15 U.S.C. § 80b-3(e)(4). As alleged in the OIP, the facts of which are deemed true upon Harrison's default, on April 21, 2022 the district court entered a judgment by consent against Harrison, permanently enjoining him from future violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act of 1934, and Rule 10b-5 thereunder, Sections 206(1) and 206(2) of the Advisers Act, and enjoined him from accessing any securities brokerage account of any third-party. Those injunctions constitute a basis for remedial relief under Section 203(f) against Harrison. (OIP §B(2))

Harrison was also acting as an unregistered investment adviser during his misconduct. Advisers Act Section 202(a)(11) defines an "investment adviser" as a "person who, for compensation, engages in the business of advising others ... as to the value of securities or as to the advisability of investing in, purchasing, or selling securities." The OIP alleges that Harrison acted as an unregistered investment adviser by trading options in his clients' online brokerage accounts, sending his clients monthly invoices misrepresenting the gains from his trading, and collected improper performance fees from them based on the overstated gains. *See SEC v. Haligiannis*, 470 F. Supp. 2d 373, 383 (S.D.N.Y. 2007) (president/COO of investment adviser who had exclusive control over the management, operation, and investment decisions of hedge fund was an investment adviser under the Advisers Act); *In re Kenny*, Advisers Act Rel. No. 2128 (May 14, 2003) (Commission op. finding individual who controlled advisory firm, was its chairman, CEO, and owner was liable as a primary violator of Sections 206(1) and 206(2)).

Harrison's receipt of money from his clients establishes his receipt of compensation as an adviser. See *In the Matter of Alexander v. Stein*, 59 S.E.C. Docket 1115, 1995 WL 358127.

**B. The Commission Should Impose Permanent Bars Against Harrison**

To determine whether remedial relief is in the public interest, the Commission considers “the egregiousness of the respondent’s actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the respondent’s assurances against future violations, the respondent’s recognition of the wrongful nature of his conduct, and the likelihood that the respondent’s occupation will present opportunities for future violations.” *Lawrence Allen DeShetler*, Commission Opinion at 4 (citing *Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979), *aff’d on other grounds*, 450 U.S. 91 (1981)).

Harrison’s conduct was egregious, involved a high degree of scienter and was recurrent. First, Harrison’s violations involved a specific intent to defraud. Where, as here, facts have been litigated and determined in an earlier judicial proceeding, those facts may not be revisited in a subsequent administrative proceeding. See *In the Matter of Peter J. Eichler, Jr.*, Initial Dec. Rel. No. 1032, 2016 WL 4035559 (July 8, 2016) (“It is well-established that the Commission does not permit a respondent to relitigate issues that were addressed in a previous civil proceeding against the respondent, whether resolved by summary judgment, **by consent**, or after a trial”) (collecting cases) (emphasis added); *accord In the Matter of Robert Burton*, Initial Dec. Rel. No. 1014, 2016 WL 3030850 (May 27, 2016); *In the Matter of James E. Franklin*, Exchange Act Rel. No. 56649 (Oct. 12, 2007), 91 S.E.C. Docket 2708, 2713 & n.13, 2007 WL 2974200, *petition for review denied*, 285 F. App’x 761 (D.C. Cir. 2008); *In the Matter of Gunderson*, Exchange Act Release No. 61234, 2009 SEC LEXIS 4322 \*15-16 (Dec. 23, 2009).

In ruling on the Commission’s motion for final judgment and remedies against Harrison, the District Court relied upon the allegations made in the First Amended Complaint, and Harrison’s Consent which accepted that the allegations in the First Amended Complaint should be accepted as true for purposes of the Commission’s remedies motion. (Wanner Decl. Ex. C, Dkt. 95, Order Granting SEC’s Request for Final Judgment Against Harrison, at 6) Ultimately, the District Court found that Harrison’s high degree of scienter is demonstrated by his failure to disclose that he was employed by a brokerage firm for only two years and that he was barred from the securities industry, all while touting his Wall Street experience to clients and potential clients. (*Id.*) Hence, based upon the allegations in the First Amended Complaint, Harrison necessarily acted with a high degree of scienter.

Second, Harrison engaged in repeated misconduct. Again, as the District Court found, Harrison “repeatedly charged fees to a number of clients when no gains were demonstrated[.]” (*Id.*) Indeed, the Division presented evidence to the District Court that Harrison, through his two entities, received payments from 22 clients over the time period of January 2016 through June 2021. (Wanner Decl. Ex. D, Dkt. No. 74 Supplemental Brief regarding Final Judgment against GTI and Harrison)

Third, Harrison’s deception towards his clients and misappropriation of their funds through improper performance fees for his personal benefit constitutes an egregious violation of the securities laws. *In the Matter of Lawrence Allen DeShetler*, Investment Advisers Act Release No. 5411, Commission Opinion at 4-5 (Admin. Proc. File No. 3-18854 Nov. 21, 2019) 4-5 (finding analogous conduct of deceiving investors and misappropriating funds to be egregious and recurrent conduct that warranted permanent bars).

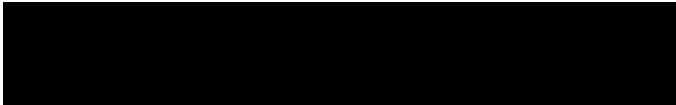
The two factors of assurances against future violations and recognition of his misconduct also favor a permanent bar. Harrison's failure to respond to the OIP or the Show Cause Order, indicates a failure to provide an assurance against future violations. *Id.* at 5. Additionally, Harrison's apparent knowledge of the financial industry and FINRA's previous bar preventing him from associating with any FINRA member, presents the risk that he could once again be in a position to harm investors. As a result, it is in the public interest under the relevant factors for the Commission to bar Harrison from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization pursuant to Section 203(f) of the Advisers Act. *Id.* at 5-6 (permanently barring DeShetler).

#### IV. CONCLUSION

For the foregoing reasons, the Division of Enforcement respectfully requests that the Commission make findings and impose remedial sanctions, by default, upon Harrison.

Dated: January 29, 2024

Respectfully submitted,



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In the Matter of Ron K. Harrison  
Administrative Proceedings File No. 3-21121

**SERVICE LIST**

Pursuant to Commission Rule of Practice 151 (17 C.F.R. §201.151), I certify that the attached:

**DIVISION OF ENFORCEMENT'S MOTION FOR ENTRY OF DEFAULT JUDGMENT  
AND REMEDIAL SANCTIONS**

was served on January 29, 2024, upon the following parties as follows:

**BY eFAP**

Vanessa Countryman, Secretary  
Securities and Exchange Commission  
100 F Street, N.E., Mail Stop 1090  
Washington, DC 20549-1090

**BY US Mail**

Ron K. Harrison

[REDACTED]

Ron K. Harrison

[REDACTED]

Dated: January 29, 2024

[REDACTED]

Kathryn C. Wanner