

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 55021 / December 29, 2006**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 2577 / December 29, 2006**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-12355**

In the Matter of	)	<b>ORDER MAKING FINDINGS AND</b>
	)	<b>IMPOSING REMEDIAL SANCTIONS</b>
	)	<b>AND A CEASE-AND-DESIST ORDER</b>
<b>VERITAS FINANCIAL</b>	)	<b>PURSUANT TO SECTION 21C OF THE</b>
<b>ADVISORS, LLC,</b>	)	<b>SECURITIES EXCHANGE ACT OF</b>
<b>VERITAS ADVISORS, INC.,</b>	)	<b>1934 AND SECTIONS 203(e), 203(f),</b>
<b>PATRICK J. COX and</b>	)	<b>AND 203(k) OF THE INVESTMENT</b>
<b>RITA A. WHITE,</b>	)	<b>ADVISERS ACT OF 1940 AS TO</b>
	)	<b>VERITAS FINANCIAL ADVISORS,</b>
<b>Respondents.</b>	)	<b>LLC, VERITAS ADVISORS, INC., AND</b>
	)	<b>PATRICK J. COX</b>
	)	

**I.**

On July 5, 2006, the Securities and Exchange Commission (“Commission”) instituted administrative and cease-and-desist proceedings against: Veritas Financial Advisors, LLC, pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”); Veritas Advisors, Inc., pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Sections 203(e) and 203(k) of the Advisers Act; Patrick J. Cox, pursuant to Section 21C of the Exchange Act and Sections 203(f) and 203(k) of the Advisers Act; and Rita A. White, pursuant to Section 21C of the Exchange Act and Section 203(f) of the Advisers Act.

## II.

In response to these proceedings, Respondents Veritas Financial Advisors, LLC (“Veritas Financial”), Veritas Advisors, Inc. (“Veritas Advisors”), and Patrick J. Cox (“Cox”) have submitted Offers of Settlement (“Offers”), 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 them and over the subject matter of these proceedings, which are admitted, Veritas Financial, Veritas Advisors and Cox (collectively, the “Settling Respondents”) consent to the entry of this Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 21C of the Securities Exchange Act of 1934 and Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 as to Veritas Financial Advisors, LLC, Veritas Advisors, Inc., and Patrick J. Cox (“Order”), as set forth below.

## III.

On the basis of this Order and the Settling Respondents’ Offers, the Commission finds<sup>1</sup> that:

### **Settling Respondents**

1. **Veritas Financial Advisors, LLC** (“Veritas Financial”), a Massachusetts limited liability company located in Boston, Massachusetts, was organized on or about January 30, 2004, and its certificate of organization was canceled on or about October 6, 2006. It has been registered with the Commission as an investment adviser pursuant to Section 203(a) of the Advisers Act since on or about March 4, 2004.

2. **Veritas Advisors, Inc.** (“Veritas Advisors”), a Massachusetts corporation located in Boston, Massachusetts, was formed on or about November 2, 1993, and it was dissolved on or about October 6, 2006. It was registered with the Commission as an investment adviser pursuant to Section 203(a) of the Advisers Act from at least August 31, 1998 through July 31, 2001, when the Commission canceled its registration because Veritas Advisors ceased making requisite filings with the Commission. Thereafter and through at least April 2005, Veritas Advisors continued to be an investment adviser within the meaning of Section 202(a)(11) of the Advisers Act.

3. **Patrick J. Cox** (“Cox”), age 50, most recently resided in Wellesley, Massachusetts. Cox was the sole owner and principal of both Veritas entities, and at all relevant times he was a person associated with an investment adviser pursuant to Section 202(a)(17) of the Advisers Act. He is a licensed Certified Public Accountant in the State of Ohio, although his license is inactive.

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<sup>1</sup> The findings herein are made pursuant to the Settling Respondents’ Offers and are not binding on any other person or entity in this or any other proceeding.

## Summary

4. This matter involves fraudulent schemes through which Veritas Advisors, an investment adviser, and Cox, its sole principal and an associated person, misappropriated funds from a client (the “Client”). The Client, age 57 and residing in Brookline, Massachusetts, engaged Veritas Advisors for tax and investment advisory services. From at least March 1998 through March 2005, Cox made unauthorized transfers of at least \$1,200,000 from at least three of the Client’s bank or investment accounts either to himself or Veritas Advisors.

5. Moreover, both Veritas entities, which were controlled solely by Cox at all relevant times, fraudulently failed to disclose their precarious financial condition to clients and did not maintain certain required books and records for investment advisers. Veritas Advisors also did not maintain proper custody of client funds.

6. As a result of the foregoing conduct, Veritas Financial, Veritas Advisors and Cox variously willfully violated or willfully aided and abetted and caused violations of the antifraud and other provisions of the Exchange Act and Advisers Act, as provided herein.

### The Veritas Entities and Their Investment Advisory Services

7. From its formation on or about November 2, 1993 until it ceased operating in or about April 2005, Veritas Advisors continuously provided a range of financial and investment advisory services to clients, which included tracking client investments, advising clients on the tax consequences of investments, selecting, interacting with and evaluating investment managers, paying bills for clients, tax return preparation and tax and estate planning. In the course of providing these services, Cox, as Veritas Advisors’ principal, had varying amounts of discretion over client bank and brokerage accounts, including, in some cases, authority to transfer funds from client accounts and purchase or sell securities in client accounts.

8. During the foregoing period, Cox informed Veritas Advisors clients about several investment opportunities in which the clients ultimately invested, including a venture operated by Cox’s brother to market instructional golf videotapes, and two hedge funds managed by a college acquaintance of Cox. Some clients discussed potential investments with Cox, as Veritas Advisors’ principal, while other clients sought investment advice from Cox.

9. During the foregoing period, clients compensated Veritas Advisors by paying a flat fee for all of its services.

10. In October 1998, the Securities Division of the Secretary of the Commonwealth of Massachusetts (“Securities Division”) entered a consent order against Veritas Advisors and Cox, which found that, from 1994 through 1998, Veritas Advisors and Cox had provided investment advisory services while not being registered as

investment advisers. The Securities Division censured them, required them to register with the Securities Division and the Commission, and ordered Veritas Advisors to pay back registration fees and administrative costs.

11. On or about August 31, 1998, Veritas Advisors registered with the Commission as an investment adviser (SEC File Number 801-55833).

12. After 1999, Veritas Advisors ceased making the filings with the Commission which were necessary to maintain its registration as an investment adviser. The Commission canceled Veritas Advisors' investment adviser registration on or about July 31, 2001. Thereafter and through at least April 2005, Veritas Advisors continued to provide the same investment advisory services to clients as described above, and Cox, as Veritas Advisors' principal, had equal or greater discretion over client bank and brokerage accounts.

13. On or about January 30, 2004, Cox formed Veritas Financial as an investment advisory business. Veritas Financial registered with the Commission as an investment adviser on or about March 4, 2004 (CRD Number 130614; SEC File No. 801-62868). It has not withdrawn its registration to date, although it has not made requisite filings with the Commission since at least March 31, 2005.

14. Between at least January 30, 2004 and March 31, 2005, the Veritas entities had some common clients and personnel and provided similar services, and, by their own terms, the code of ethics and compliance manual that Veritas Financial adopted in or about October 2004 also applied to Veritas Advisors employees.

15. On or about March 31, 2005, all employees of Veritas Advisors and Veritas Financial, excluding Cox, resigned.

#### **Misappropriation of Client Funds by Veritas Advisors and Cox**

16. Between at least March 1998 and March 2005, there were more than fifty unauthorized transfers of cash, totaling at least \$1,200,000, from at least three of the Client's bank or investment accounts to Veritas Advisors and Cox.

17. The majority of the unauthorized transfers to Veritas Advisors and Cox occurred through checks drawn on the Client's personal checking account ("checking account"), and deposited into either the Veritas Advisors operating account or Cox's personal checking account. Most of the checks were "signed" with a stamp copy of the Client's signature ("signature stamp"). The Client had arranged for Veritas Advisors to pay her household expenses from her checking account, and Veritas Advisors kept the signature stamp at its offices for that purpose. In some cases, Cox, who was a signatory on the Client's checking account, signed the checks.

18. A few of the unauthorized transfers to Veritas Advisors and Cox were made by wire. The wire transfers originated from one of three of the Client's accounts –

her checking account, an investment account and, in one instance, a charitable remainder trust account. These transfers occurred pursuant to written requests from Veritas Advisors that were signed by Cox.

19. The Client's investment account ("bond account") consisted of bonds that had to be sold in order to generate cash. During the relevant period, there were at least monthly transfers of cash from the Client's bond account (following the sale of bonds) to her checking account. These transfers all were made by wire at the direction of Veritas Advisors, and Cox signed the wire transfer requests. Cox knew of these transfers and also knew that bonds in the bond account had to be sold in order to generate the cash that was transferred to the checking account and, in some cases, directly to Veritas Advisors and Cox.

20. At all relevant times, Cox continually withdrew funds from the Veritas Advisors operating account by making checks payable to himself and depositing them into his personal checking account. Therefore, Cox personally benefited from at least some of the cash transfers from the Client's accounts to Veritas Advisors.

21. The Client did not authorize the above-described transfers to Veritas Advisors and Cox. Although Cox had limited authority to transfer funds from the Client's accounts (e.g., for the payment of her household expenses), he could not use that authority to transfer funds for his personal benefit or that of Veritas Advisors.

### **Other Findings**

22. Between at least March 1998 and April 2005, the Veritas entities and Cox were experiencing significant financial problems that were reasonably likely to impair their ability to provide services to clients and that should have been disclosed to clients pursuant to Rule 206(4)-4 of the Advisers Act but were not disclosed. For example, Veritas Advisors' rent for the office space it leased was often in arrears. There also were numerous cash shortfalls in the Veritas Advisors operating account. Veritas Advisors did not have sufficient funds to pay the salaries of its employees for March 2005. Veritas Financial similarly was thinly capitalized and relied on Veritas Advisors to pay all of its expenses, including filing fees for its registration with the Commission as an investment adviser. Veritas Advisors and Cox misappropriated funds from the Client, as described above, to alleviate these and other financial problems.

23. Between at least March 1998 and April 2005, the Veritas entities, which were controlled by Cox, did not maintain certain required books and records for investment advisers, including a general ledger and financial statements pursuant to Rules 204-2(a)(2) and 204-2(a)(6) of the Advisers Act.

24. Between at least March 1998 and April 2005, Veritas Advisors, which was controlled by Cox, did not comply with the custody requirements of Rule 206(4)-2 of the Advisers Act. For many clients, Cox, as Veritas Advisors' principal, had discretion over client accounts, including limited authority to transfer funds from client accounts and sell

bonds in client accounts. Veritas Advisors also received copies of clients' brokerage and bank account statements. However, Veritas Advisors did not send account statements to clients as often as required by the custody rule, if at all. Veritas Advisors also kept physical stock certificates at its offices, instead of with a qualified custodian, as required by the rule.

25. Between at least July 31, 2001, when it ceased being registered with the Commission as an investment adviser, and April 2005, Veritas Advisors, which was controlled by Cox, was in the business of providing investment advice for compensation without being registered with the Commission as required by Section 203(a) of the Advisers Act and rules thereunder. During the foregoing period, Veritas Advisors had at least fifteen clients and at least \$25,000,000 in assets under management, and no statutory exemptions from the registration requirement or prohibitions on registration applied.

### **Violations**

26. As a result of the conduct described above, Veritas Advisors and Cox willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

27. As a result of the conduct described above, Cox willfully aided and abetted and caused Veritas Advisors' violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

28. As a result of the conduct described above, Veritas Advisors and Cox willfully violated Sections 206(1) and 206(2) of the Advisers Act, which prohibit fraudulent conduct by an investment adviser.

29. As a result of the conduct described above, Cox willfully aided and abetted and caused Veritas Advisors' violations of Sections 206(1) and 206(2) of the Advisers Act.

30. As a result of the conduct described above, Veritas Financial and Veritas Advisors, acting through Cox, willfully violated Section 206(4) of the Advisers Act, which prohibits investment advisers from engaging in acts, practices or courses of business which are fraudulent, deceptive or manipulative, as defined by rules and regulations thereunder, and Rule 206(4)-4 thereunder, which requires investment advisers registered or required to be registered with the Commission to disclose to clients all material facts with respect to financial conditions that are reasonably likely to impair the adviser's ability to meet contractual commitments to clients if the adviser has discretionary authority or custody over client funds or securities.

31. As a result of the conduct described above, Cox willfully aided and abetted and caused the Veritas entities' violations of Section 206(4) of the Advisers Act and Rule 206(4)-4 thereunder.

32. As a result of the conduct described above, Veritas Advisors, acting through Cox, willfully violated Section 206(4) of the Advisers Act, which prohibits investment advisers from engaging in acts, practices or courses of business which are fraudulent, deceptive or manipulative, as defined by rules and regulations thereunder, and Rule 206(4)-2 thereunder, which imposes requirements upon investment advisers registered or required to be registered with the Commission concerning custody of client funds or securities.

33. As a result of the conduct described above, Cox willfully aided and abetted and caused Veritas Advisors' violations of Section 206(4) of the Advisers Act and Rule 206(4)-2 thereunder.

34. As a result of the conduct described above, Veritas Financial and Veritas Advisors, acting through Cox, willfully violated Section 204 of the Advisers Act and Rule 204-2 thereunder, which require investment advisers registered or required to be registered with the Commission to maintain and preserve certain books and records, including a general ledger pursuant to Rule 204-2(a)(2) and financial statements pursuant to Rule 204-2(a)(6).

35. As a result of the conduct described above, Cox willfully aided and abetted and caused the Veritas entities' violations of Section 204 of the Advisers Act and Rules 204-2(a)(2) and 204-2(a)(6) thereunder.

36. As a result of the conduct described above, Veritas Advisors, acting through Cox, willfully violated Section 203(a) of the Advisers Act, which prohibits investment advisers from making use of the mails or any means or instrumentality of interstate commerce in connection with their business as investment advisers unless they are registered with the Commission.

37. As a result of the conduct described above, Cox willfully aided and abetted and caused Veritas Advisors' violations of Section 203(a) of the Advisers Act.

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in the Settling Respondents' Offers.

Accordingly, it is hereby ORDERED as to Veritas Financial pursuant to Section 203(e) of the Advisers Act that:

- A. Veritas Financial shall be and hereby is censured for willfully violating Sections 204 and 206(4) of the Advisers Act and Rules 204-2(a)(2), 204-2(a)(6) and 206(4)-4 thereunder;
- B. Veritas Financial's registration as an investment adviser shall be and hereby is revoked; and

- C. Any reapplication for registration as an investment adviser by Veritas Financial 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 Veritas Financial, 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.

It is hereby further ORDERED as to Veritas Advisors pursuant to Section 203(e) of the Advisers Act that:

- D. Veritas Advisors shall be and hereby is censured for willfully violating Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and Sections 203(a), 204, 206(1), 206(2) and 206(4) of the Advisers Act and Rules 204-2(a)(2), 204-2(a)(6), 206(4)-2 and 206(4)-4 thereunder.

It is hereby further ORDERED as to Cox pursuant to Section 21C of the Exchange Act and Sections 203(f) and 203(k) of the Advisers Act that:

- E. Cox shall cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and Sections 203(a), 204, 206(1), 206(2) and 206(4) of the Advisers Act and Rules 204-2(a)(2), 204-2(a)(6), 206(4)-2 and 206(4)-4 thereunder;
- F. Cox shall be and hereby is barred from association with any investment adviser;
- G. Any reapplication for association by Cox 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 Cox, 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; and

H. Cox shall, within 21 days of the entry of this Order, pay a civil money penalty in the amount of \$120,000 to the Securities and Exchange Commission. Such payment shall be: (a) made by 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 Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Alexandria, Stop 0-3, VA 22312; and (d) submitted under cover letter that identifies Cox 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 Silvestre A. Fontes, Senior Trial Counsel, Division of Enforcement, U.S. Securities and Exchange Commission, Boston District Office, 33 Arch Street, 23rd Floor, Boston, MA 02110.

By the Commission.

Nancy M. Morris  
Secretary