

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

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 2517 / May 26, 2006**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-12302**

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<b>In the Matter of</b>	:	<b>ORDER INSTITUTING PUBLIC</b>
<b>BRUCE LIEBERMAN,</b>	:	<b>ADMINISTRATIVE PROCEEDINGS</b>
<b>Respondent.</b>	:	<b>PURSUANT TO SECTION 203(f) OF</b>
<hr/>	:	<b>THE INVESTMENT ADVISERS ACT</b>
	:	<b>OF 1940, MAKING FINDINGS, AND</b>
	:	<b>IMPOSING REMEDIAL SANCTIONS</b>
	:	:

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Bruce Lieberman (“Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, and the findings contained in Section III.2 below, which are admitted, Respondent consents to the entry of this Order Instituting Public Administrative Proceedings Pursuant to Section 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

**III.**

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. From 1997 to January 2005, Lieberman was associated with Deephaven Capital Management, LLC ("Deephaven"), an unregistered investment adviser. Lieberman, 50 years old, is a resident of Edina, Minnesota.

2. On May 15, 2006, a final judgment was entered by consent against Lieberman, permanently enjoining him from future violations of Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934, and Rule 10b-5 thereunder, in the civil action entitled *Securities and Exchange Commission v. Deephaven Capital Management, LLC and Bruce Lieberman*, Civil Action Number 1:06-cv-00805, in the United States District Court for the District of Columbia.

3. The Commission's complaint alleged that from August 2001 to March 2004, Deephaven and Lieberman, who was a portfolio manager and the director of Deephaven's private placement trading, executed short sales for the Deephaven Small Cap Growth Fund (the "Small Cap Fund") in advance of the public announcements of 19 private investment in public equity ("PIPE") offerings while in possession of material nonpublic information, in breach of a duty of trust and confidence each owed to the placement agents for the PIPE securities and to the PIPE issuers. Among other things, the Complaint further alleged that, for two of the PIPE offerings, in an effort to conceal Deephaven's violation of express warranties in purchase agreements prohibiting short selling, Lieberman transferred short positions previously established in the Small Cap Fund to another fund he managed.

#### IV.

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

Accordingly, it is hereby ORDERED:

Pursuant to Section 203(f) of the Advisers Act, that Respondent Lieberman be, and hereby is barred from association with any investment adviser with the right to reapply for association after three years to the Commission;

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.

By the Commission.

Nancy M. Morris  
Secretary