

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 2767A / August 6, 2008

Administrative Proceeding File No. 3-13121

In the Matter of Martin A. Armstrong

The United States Securities and Exchange Commission (Commission) announced the issuance of an Order Instituting Administrative Proceedings Pursuant to Section 203(f) of the Investment Advisers Act of 1940 and Notice of Hearing against Martin A. Armstrong. The Division of Enforcement (Division) alleges that on July 22, 2008, a final judgment and order on consent was entered against Armstrong, 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, in the civil action entitled Securities and Exchange Commission v. Martin A. Armstrong, et al., Civil Action Number 99 Civ. 9667, in the United States District Court for the Southern District of New York. The Division further alleges in the Order that the Commission's complaint alleged that, Armstrong, together with the entities he controlled, perpetrated a massive fraud by raising millions of dollars by fraudulently offering and selling promissory notes issued by subsidiaries of the entities he controlled to Japanese corporations. In offering and selling those notes, Armstrong represented that the issuers would deposit the proceeds of the note sales into segregated accounts, and use those proceeds to purchase conservative investments, such as securities issued by the United States Treasury. However, Armstrong lost hundreds of millions of dollars through risky currency and commodities trading, commingled investor funds, used investor funds to conceal trading losses, and arranged for the mailing of letter that materially overstated the net asset value of the accounts purportedly underlying investors' notes.

The Division alleges in the Order that on January 7, 2000, the district court issued an order requiring Armstrong to turnover certain enumerated items, including rare coins, gold bullion bars and coins and various antiquities, to the court appointed Receiver. Armstrong failed to comply with the order, and accordingly the district court found him in contempt on January 14, 2000 and ordered him confined to coerce compliance with the turnover order. The turnover order was affirmed by the Second Circuit on November 27, 2006, Armstrong v. Guccione, 470 F.3d 89. Armstrong never complied and on April 27, 2007, the district court determined that the turnover order no longer had coercive effect.

The Division also alleges in the Order that on August 17, 2006, Armstrong pled guilty to one count of conspiracy to commit securities fraud, wire fraud and commodities fraud in violation of 18 U.S.C. Section 371 before the United States District Court for the Southern District of New York, in United States v. Martin A. Armstrong, 99 CR 00997. On April 10, 2007, Armstrong was sentenced to serve 60 months in federal prison and

ordered to pay restitution of \$80,000,001. The count of the indictment to which Armstrong pled guilty alleged that Armstrong defrauded investors and obtained money and property by means of materially false and misleading statements, that he used the United States mails to send false account statements, and that he caused commercial interstate carriers to deliver investors' checks to him.

In these proceedings, instituted pursuant to Section 203(f) of the Investment Advisers Act of 1940 (Advisers Act), a hearing will be scheduled before an Administrative Law Judge. At the hearing, the judge will hear evidence from the Division and the respondent to determine whether the allegations of the Division contained in the Order are true. The judge in the proceeding will then determine what, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act. The Commission ordered that the Administrative Law Judge in these proceedings issue an initial decision not later than 210 days from the date of service of the order instituting proceedings.