UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940

ADMINISTRATIVE PROCEEDING
File No. 3-13232

In the Matter of
MDL CAPITAL MANAGEMENT, INC.,
Respondent.

ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 203(e) OF
THE INVESTMENT ADVISERS ACT
OF 1940, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS

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(e) of the Investment Advisers Act of 1940 ("Advisers Act") against MDL Capital
Management, Inc. ("MDL Capital" or "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 it 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 Administrative Proceedings Pursuant to Section
203(e) 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. MDL Capital was an investment adviser that had its principal offices located in Pittsburgh, Pennsylvania. Although MDL Capital is no longer doing business, it is registered as an investment adviser with the Commission. Mark D. Lay was the Chairman, CEO, Chief Investment Strategist and 35 percent shareholder of MDL Capital. At all times relevant to this matter, MDL Capital was the investment adviser to the Ohio Bureau of Workers’ Compensation (the “Bureau”) and the MDL Active Duration Fund, Ltd. (the “Fund”), an exempted, open-ended mutual fund company created by MDL Capital and Lay and incorporated under the laws of Bermuda.

2. On September 15, 2008, a final judgment was entered by consent against MDL Capital, permanently enjoining it from future violations of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act, in the civil action entitled Securities and Exchange Commission v. Mark D. Lay, et al., Civil Action Number 08-1269, in the United States District Court for the Western District of Pennsylvania.

3. The Commission’s complaint alleged, among other things, that:
   a. Between approximately February 2004 and November 2004, MDL Capital and Lay defrauded their client, the Bureau, in connection with the Bureau’s investment in the Fund;
   b. MDL Capital and Lay breached their duty to the Bureau by consistently exceeding the 150 percent leverage guideline for the Fund set forth in the Fund’s private placement memorandum;
   c. As a result of the fraud, the Bureau incurred losses of approximately $160 million; and
   d. MDL Capital and Lay misrepresented and failed to disclose to the Bureau the excessive leverage and the true reason for the losses.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent MDL Capital’s Offer.
Accordingly, it is hereby ORDERED:

Pursuant to Section 203(e) of the Advisers Act, that the registration of Respondent MDL Capital Management, Inc. be, and hereby is, revoked.

By the Commission.

Florence E. Harmon  
Acting Secretary