

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

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 3274 / September 8, 2011**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-14541**

**In the Matter of**

**Roy E. Scarboro,**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
PROCEEDINGS PURSUANT TO SECTION  
203(f) 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 Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Roy E. Scarboro (“Scarboro” 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 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 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. Scarboro was the founder, owner, and president of Capital Asset Management Group, LLC (“Capital Asset Management”), an unregistered investment adviser that served as the general partner of Capital Asset Management Fund, L.P. (“CAMF”), an affiliated

unregistered investment fund. Scarboro provided investors in CAMF with a private placement memorandum, which stated that, on behalf of the fund, Capital Asset Management could engage in any “investment activities” that it “consider[ed] appropriate.” Through Capital Asset Management, Scarboro made all investment decisions for CAMF. In terms of compensation, the private placement memorandum specified that, as the general partner in CAMF, Capital Asset Management would receive an annual fee of one percent of assets under management, as well as 35 percent of the fund’s net profits.

2. On December 3, 2010, Scarboro entered a guilty plea to: one count of making false statements to the Federal Bureau of Investigation in violation of 18 U.S.C. Section 1001; one count of securities fraud in violation of Sections 10(b) and 32 of the Securities Exchange Act of 1934, Rule 10b-5 thereunder, and 18 U.S.C. Section 2; and one count of money laundering in violation of 18 U.S.C. Sections 1956(a)(1)(A)(i) and 2 in U.S. District Court for the Western District of North Carolina, in United States v. Roy E. Scarboro, Information No. 3:10-cr-00254-RJC (December 3, 2010).

3. The counts of the criminal information to which Scarboro pleaded guilty alleged, among other things, that beginning in July 2009 Scarboro induced six investors to invest over \$650,000 with CAMF. Through December 2009, CAMF suffered dramatic investment losses, and Scarboro misappropriated at least \$50,000 of investor funds for his personal use. In order to conceal CAMF’s losses and his misappropriation of investor funds, Scarboro provided investors with monthly account statements showing fictitious investment returns.

#### IV.

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

Accordingly, it is hereby ORDERED:

Pursuant to Section 203(f) of the Investment Advisers Act that Respondent Scarboro be, and hereby is, barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

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.

Elizabeth M. Murphy  
Secretary