

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 3281 / September 19, 2011

ADMINISTRATIVE PROCEEDING
File No. 3-14553

In the Matter of

STANLEY J. KOWALEWSKI,

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 to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Stanley J. Kowalewski (“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. Kowalewski was the CEO and Chief Investment Officer of SJK Investment Management, LLC. ("SJK"), a Delaware Limited Liability Company and an investment adviser registered with the Commission. From June 2009 through January 2011, Kowalewski exercised complete control over SJK. Kowalewski, 39 years old, is a resident of Greensboro, North Carolina.

2. On June 29, 2011, an Order Permanently Enjoining Defendant Kowalewski and Ordering Other Relief was entered by consent against Kowalewski, permanently enjoining him from future violations of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Exchange Act and Rule of Section 10b-5 thereunder, Sections 206(1), 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder in the civil action entitled Securities and Exchange Commission v. Stanly J. Kowalewski and SJK Investment Management, LLC., Civil Action Number 1:11-CV-0056-TCB, in the United States District Court for the Northern District of Georgia.

3. The Commission's complaint alleged that beginning in the summer of 2009 and continuing through January 6, 2011, Kowalewski and SJK marketed two "fund of funds" (collectively "the Absolute Return Funds") to various entity investors, consisting largely of pension funds, school endowments, hospitals and non-profit foundations. The Complaint further alleges that in raising investor proceeds for those funds – which ultimately totaled approximately \$65 million – Defendants Kowalewski and SJK made numerous representations, including that: (a) "substantially all" of the monies invested in the Absolute Return Funds would be invested in "unaffiliated" underlying hedge funds pursuing complex investment strategies, (b) no single underlying fund would be allocated more than 15% of the Absolute Return Funds' monies, (c) SJK would be responsible for its own overhead and operating expenses, including its rent and personnel's salaries, and (d) as compensation for its services, SJK would receive no more than a 1% annual asset management fee and a 10% of profits incentive fee. The Complaint also alleges that in December 2009, Kowalewski and SJK further formed a new, undisclosed fund wholly controlled by them, the Special Opportunities Fund, caused the Absolute Return Funds to "invest" a total of \$16.5 million in this new fund, and proceeded to engage in various, undisclosed self-dealing transactions, including having the Special Opportunities Fund: (a) buy Kowalewski's personal home for \$2.8 million, at least \$1 million more than its likely value, (b) purchase a vacation home for Kowalewski for \$3.9 million, (c) pay approximately \$1 million of Kowalewski and SJK's personal and business expenses, and (d) pay SJK and Kowalewski a \$4 million "administration" fee. The Complaint further alleges that Kowalewski and SJK sent fraudulent monthly account statements to the investors or their representative showing substantial, positive, but illusory, investment returns generated by the "investments" in the Special Opportunities Fund.

IV.

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

Accordingly, it is hereby ORDERED Pursuant to Section 203(f) of the Advisers Act that Respondent Kowalewski 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