

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 3288 / September 23, 2011

ADMINISTRATIVE PROCEEDING
File No. 3-14563

In the Matter of

**Bruce F. Prévost and David W.
Harrold,**

Respondents.

**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 Bruce F. Prévost (“Prévost”) and David W. Harrold (“Harrold,” and together with Prévost, “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) 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 them and the subject matter of these proceedings, and the findings contained in Section III.2 below, which are admitted, Respondents consent 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 Offers, the Commission finds that:

1. From 2004 until September 2008, Prévost and Harrold operated and associated with an investment adviser, Palm Beach Capital Management LLC ("PB Adviser"), which, in turn, served as an investment adviser to two private funds: (i) Palm Beach Finance Partners, LP ("PBFP"); and (ii) Palm Beach Finance II, LP ("PBFII" and together with PBFP, the "Palm Beach Funds"). Both PBFP and PBFII purported to purchase promissory notes (the "Notes") from Petters Company, Inc. to finance inventory transactions brokered by Thomas J. Petters and Petters Company, Inc.

2. On April 22, 2011, a Judgment of Permanent Injunction and Other Relief, was entered against Prévost and Harrold, permanently enjoining them from future violations of Sections 17(a)(1), 17(a)(2), and 17(a)(3) 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), 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. Bruce F. Prévost, David W. Harrold, Palm Beach Capital Management LP, and Palm Beach Capital Management LLC, No. 0:10-cv-04235-PAM-SRN, in the United States District Court for the District of Minnesota.

3. The Commission's complaint alleged that from 2004 through at least as late as June 2008, Prévost and Harrold directed money into a Ponzi scheme operated by Thomas J. Petters by selling interests in the Palm Beach Funds to investors throughout the United States. The complaint alleged that Prévost and Harrold misled the Palm Beach Funds, including their investors, by, among other things, engaging in several improper note exchange transactions. The complaint alleged that they exchanged groups of mature Notes held by the Palm Beach Funds that were due to be repaid for newly-issued Notes from Petters that were not due to be paid for six months and that purported to be collateralized by merchandise underlying different transactions. The complaint alleged that instead of receiving cash payments and then reinvesting that cash in new Notes as they had done in the past, Prévost and Harrold exchanged old IOUs for new ones. The complaint alleged that the purpose of these exchanges was to conceal that Petters was not able to make payments on the mature Notes. The complaint further alleged that, at the same time, Prévost and Harrold continued to improperly report, in monthly communications, that the Palm Beach Funds were generating the same steady profits that they had generated from their inceptions and that the overstated rates of return resulted in the payment of excessive management fees and performance allocations to Prévost and Harrold.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in the Offers submitted by Respondents Prévost and Harrold.

Accordingly, it is hereby ORDERED:

Pursuant to Section 203(f) of the Advisers Act, that Respondents Prévost and Harrold be, and hereby are, barred from being associated with an investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

Any reapplication for association by Respondents Prévost and/or Harrold 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 Respondents, 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