

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9333 / July 9, 2012

SECURITIES EXCHANGE ACT OF 1934
Release No. 67377 / July 9, 2012

INVESTMENT ADVISERS ACT OF 1940
Release No. 3428 / July 9, 2012

INVESTMENT COMPANY ACT OF 1940
Release No. 30131 / July 9, 2012

ADMINISTRATIVE PROCEEDING
File No. 3-14680

In the Matter of

**CALHOUN ASSET
MANAGEMENT, LLC,
and KRISTA LYNN
WARD A/K/A KRISTA
LYNN KARNEZIS**

Respondents.

**ORDER MAKING FINDINGS AND
IMPOSING REMEDIAL SANCTIONS
AND A CEASE-AND-DESIST ORDER
PURSUANT TO SECTION 8A OF
THE SECURITIES ACT OF 1933,
SECTION 21C OF THE SECURITIES
EXCHANGE ACT OF 1934,
SECTIONS 203(e), 203(f), AND 203(k)
OF THE INVESTMENT ADVISERS
ACT OF 1940, AND SECTION 9(b) OF
THE INVESTMENT COMPANY ACT
OF 1940**

I.

On December 29, 2011, the Securities and Exchange Commission (“Commission”) instituted proceedings against Calhoun Asset Management, LLC (“Calhoun”) pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”), and against Krista Lynn Ward a/k/a Krista Lynn Karnezis (“Ward”) pursuant to Section 8A of the Securities Act, Section 21C of the Exchange Act, Sections 203(f) and 203(k) of the Advisers Act, and Section 9(b) of the Investment Company Act.

II.

Calhoun and Ward (collectively, “Respondents”) have submitted Offers of Settlement (“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 over the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 8A of the Securities Act of 1933, Section 21C of the Securities Exchange Act of 1934, Sections 203(e), 203(f), and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940 (“Order”), as set forth below.

III.

On the basis of this Order and Respondents’ Offers, the Commission finds that:

A. SUMMARY

1. This matter concerns materially false and misleading statements made by Calhoun, the investment adviser to two funds of funds, and Ward, its principal. Ward raised the assets managed by Calhoun by grossly exaggerating Calhoun’s assets under management. Ward also made misleading statements about Calhoun’s due diligence process, and filed numerous false Forms ADV with the Commission. In addition to making false and misleading statements, Ward failed to maintain records to support the performance that Calhoun claimed in its marketing materials.

B. RESPONDENTS

2. Calhoun is an Illinois limited liability company located in Chicago, Illinois, that was registered with the Commission as an investment adviser from August 31, 2007 until it withdrew its registration on April 22, 2010. Calhoun was the investment adviser to a master fund, “Calhoun Master Fund SPC, Ltd.,” a Cayman Islands company, and two feeder funds: “Calhoun Multi-Series Fund LP (f/k/a Triumph Multi-Series Fund),” a Delaware limited partnership, and “Calhoun Fund SPC, Ltd. (f/k/a Calhoun Market Neutral Fund),” a Cayman Islands company. Calhoun has no disciplinary history.

3. Ward, age 41, resides in Park Ridge, Illinois. Ward was the managing member, sole owner, and sole full-time employee of Calhoun. Ward has no disciplinary history.

C. OTHER RELEVANT ENTITIES

4. Skore Financial Management, LLC a/k/a Taipan Wealth Advisors LLC a/k/a FQ Advisors, LLC (“Skore”) was an Illinois limited liability company located in Chicago, Illinois, that was registered with the Commission as an investment adviser from

January 7, 2002 until February 14, 2011, when its registration was cancelled. Skore was dissolved as a corporate entity on September 11, 2009. Prior to Skore's dissolution, Ward was its CEO and Chief Compliance Officer. Skore has no disciplinary history.

5. Skore Investment Advisory Services, LLC ("SIAS") is a Nevis, West Indies corporation. SIAS is not registered with the Commission. SIAS is the investment adviser to "Triumph Offshore Fund," an offshore fund-of-funds open only to insurance companies. Ward is the managing member of SIAS.

D. BACKGROUND

The Calhoun Hedge Funds

6. In 2006, Ward started two hedge funds – Triumph Multi-Series Fund, a Delaware limited partnership (later renamed Calhoun Multi-Series Fund LP) (the "CMSF Fund"), and Calhoun Market Neutral Fund, a Cayman Islands company (later renamed Calhoun Fund SPC, Ltd.) (the "Calhoun Fund") (together, the "Funds"). The CMSF Fund offered limited partnership interests to investors, while the Calhoun Fund offered several different classes of shares of stock.

7. Calhoun managed the two Funds, and Ward was the managing member and sole full-time employee of Calhoun. Ward set up the CMSF Fund and the Calhoun Fund to each be a fund of funds, investing only in other hedge funds. The stated strategy of the Funds was to seek long term capital growth and positive returns through the selection of investment managers across a widely diversified pool of strategies.

8. Ward attracted capital to the Funds by aggressively marketing herself as an experienced hedge fund manager, despite having no experience in portfolio management. In an effort to promote the Funds, Ward attended various asset management conferences, distributed marketing materials, and established an Internet website. She solicited some investments for the Funds directly from individuals she met at conferences.

E. THE VIOLATIVE CONDUCT

False and Misleading Statements to Orizon

9. In 2006, Ward entered into discussions with Orizon Investment Counsel, LLC, an asset management firm registered with the Commission as an investment adviser, in an attempt to attract new investors. During these discussions, Ward told executives at Orizon that she had several hundred million dollars under management.

10. On the due diligence questionnaire filled out by Ward (on behalf of Calhoun and SIAS) and given to Orizon in 2006, in response to the "current assets under management" question, Ward wrote that she had "[a]pproximately \$237 million under advisement." In the following question on the questionnaire, which asks about "the growth of assets under management over the last five years," Ward stated that her assets under

management grew from \$27 million in 1999 to \$200 million. At the time she filled out the questionnaire, however, Ward had never had more than \$3 million under management.

11. Orizon entered into an Advisory Fee Sharing Agreement with Calhoun in September 2006 (the “Orizon Agreement”). The Orizon Agreement contemplated that Orizon would recommend certain of its advisory clients to invest in the CMSF Fund. Orizon communicated to its advisory clients that Calhoun had a substantial amount of assets under management, based on what Ward had told Orizon. Orizon also gave a copy of the due diligence questionnaire filled out by Ward to some of its advisory clients.

12. Approximately twenty of Orizon’s advisory clients purchased limited partnership interests in the CMSF Fund, making Orizon the largest source of investors in Calhoun’s Funds. Ward’s representations that she had hundreds of millions of dollars under management were instrumental in convincing Orizon to recommend that its clients invest in the CMSF Fund.

Calhoun’s Marketing Materials

13. Ward created various marketing materials in an attempt to attract investors. Ward distributed the marketing materials to prospective investors at conferences and through third parties, and made them available on an Internet website. These marketing materials contain various misrepresentations and unsupported performance claims.

14. The marketing materials refer to a 10-year track record with 11+% average annual returns. Ward, however, did not maintain documentation supporting this track record. Ward only maintained records dating back to 2007, and her recordkeeping was scattered and disorganized.

15. The marketing materials also contain misrepresentations about performance returns. In a PowerPoint presentation Ward provided to prospective and current investors, via Orizon and through her marketing activities, Ward included a full-page chart of monthly and annual performance returns from 1999 through 2009. The legend at the bottom of the page states that “[t]hese returns represent our flagship fund, Calhoun Fund SPC, Ltd.” Calhoun Fund SPC, Ltd., however, did not commence operations until January 1, 2007 – and therefore the fund had no performance return data from 1999 through 2006.

16. Calhoun’s marketing materials state that Ward “Grew [Skore] from \$0 to \$313M” – suggesting that Skore had over \$300 million under management. Skore, however, never had any assets under management.

False and Misleading Statements Regarding Due Diligence

17. Calhoun touted its due diligence capabilities in marketing materials, written by Ward and provided to prospective and current investors, which described the criteria for selecting managers: past performance; diversification in relation to other managers; assets under management; absence of significant conflicts of interest; overall integrity and reputation; percentage of business time devoted to investment activities; and fees charged.

18. Calhoun also described a network of sources for identifying prospective managers. Calhoun represented that its due diligence included regular monitoring and performance reviews of managers, conducted at least monthly, along with periodic visits to managers. In materials available on its Internet website and authored by Ward, Calhoun stated that “we take every precaution necessary to complete **thorough due diligence and research** on every manager we recommend” (emphasis in original).

19. Calhoun’s actual due diligence, however, was virtually nonexistent. Indeed, Ward did not even perform the due diligence herself, instead outsourcing the due diligence to a third party, Second City Alternatives, LLC (“Second City”). Once Ward outsourced the due diligence to Second City, Ward did not perform any due diligence services, nor did she oversee Second City. According to Ward, Second City breached its agreement to perform the due diligence, did not provide any due diligence reports, and only substantiated its services with some handwritten notes.

False and Misleading Statements on Forms ADV

20. On the Forms ADV she filed with the Commission, Ward repeatedly misrepresented Calhoun’s assets under management. Ward first registered Calhoun as an investment adviser on August 31, 2007. On Calhoun’s Form ADV, which Ward herself completed and electronically signed in her capacity as the managing member of Calhoun, Ward stated that Calhoun had \$30 million in assets under management. In reality, at the time, Calhoun had less than \$6 million under management.

21. On February 18, 2009, Ward filed an amendment to Calhoun’s Form ADV. Ward herself completed and electronically signed the amendment in her capacity as the “owner” of Calhoun. Ward represented that Calhoun had \$79.8 million in assets under management. In reality, at the time, Calhoun had approximately \$7 million under management. Ward never amended the Form ADV to reflect Calhoun’s actual assets under management.

22. Ward also misrepresented Skore’s assets under management throughout its existence. From 2004 through 2008, in Forms ADV which Ward herself completed and electronically signed, Ward reported figures for Skore’s assets under management ranging from \$24 million to \$335 million. In reality, Skore never had any assets under management.

F. VIOLATIONS

23. As a result of the conduct described above, Calhoun and Ward willfully violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the offer and sale of securities and in connection with the purchase or sale of securities;

24. As a result of the conduct described above, Calhoun willfully violated, and Ward willfully aided and abetted and caused Calhoun’s violations of, Section 203A of the

Advisers Act by registering with the Commission as an investment adviser despite being prohibited from doing so;

25. As a result of the conduct described above, Calhoun willfully violated, and Ward willfully aided and abetted and caused Calhoun's violations of, Section 204 of the Advisers Act and Rule 204-2(a)(16) thereunder by failing to keep all documents that are necessary to form the basis for, or demonstrate the calculation of, the performance or rate of return of any or all managed accounts that it used in advertisements or other communications distributed to 10 or more persons;

26. As a result of the conduct described above, Calhoun and Ward willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder by making false or misleading statements to, or otherwise defrauding, investors or prospective investors in a pooled investment vehicle; and

27. As a result of the conduct described above, Calhoun and Ward willfully violated Section 207 of the Advisers Act by making untrue statements of a material fact in registration applications or reports filed with the Commission and willfully omitting to state in such applications or reports material facts which were required to be stated therein.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the actions agreed to in Respondents' Offers.

Accordingly, pursuant to Section 8A of the Securities Act, Section 21C of the Exchange Act, Sections 203(e), 203(f), and 203(k) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent Calhoun shall cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 203A, 204, 206(4), and 207 of the Advisers Act and Rules 204-2(a)(16) and 206(4)-8 promulgated thereunder.

B. Respondent Calhoun shall pay a civil money penalty, on a joint and several basis with Respondent Ward, of \$50,000.00 to the United States Treasury. Payment shall be made in the following installments: \$25,000.00 on or before August 15, 2012; \$10,000.00 on or before October 31, 2012; \$10,000.00 on or before December 31, 2012; and \$5,000.00 on or before March 30, 2013. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of the civil penalty, plus any additional interest accrued pursuant to 31 U.S.C. 3717, shall be due and payable immediately, without further application. Payments shall be: (A) made by wire transfer, United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Securities and Exchange Commission, Office of Financial Management, 100 F St., NE, Stop 6042, Washington, DC 20549; and (D) submitted under cover letter

that identifies Calhoun Asset Management, LLC as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Timothy L. Warren, Division of Enforcement, Securities and Exchange Commission, 175 W. Jackson Blvd., Suite 900, Chicago, IL, 60604.

C. Respondent Ward shall cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 203A, 204, 206(4), and 207 of the Advisers Act and Rules 204-2(a)(16) and 206(4)-8 promulgated thereunder.

D. Respondent Ward be, and hereby is:

i. barred from association with any broker, dealer, investment adviser, municipal securities dealer, or transfer agent, provided however, that for a period of up to eight months from the entry of this Order, Ward may, solely for the purposes of completing the wind down of Calhoun, making final payments and distributions to investors in the funds Calhoun manages, and preserving value for those investors in the interim, (a) participate in advisory activities and (b) continue to be associated with Calhoun while Calhoun acts as an investment adviser;

ii. prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter;

with the right to apply for reentry after five (5) years to the appropriate self-regulatory organization, or if there is none, to the Commission.

E. 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.

F. Respondent Ward shall pay a civil money penalty, on a joint and several basis with Respondent Calhoun, of \$50,000.00 to the United States Treasury. Payment shall be made in the following installments: \$25,000.00 on or before August 15, 2012; \$10,000.00 on or before October 31, 2012; \$10,000.00 on or before December 31, 2012; and \$5,000.00 on or before March 30, 2013. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of the civil penalty, plus

any additional interest accrued pursuant to 31 U.S.C. 3717, shall be due and payable immediately, without further application. Payments shall be: (A) made by wire transfer, United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Securities and Exchange Commission, Office of Financial Management, 100 F St., NE, Stop 6042, Washington, DC 20549; and (D) submitted under cover letter that identifies Krista Lynn Ward a/k/a Krista Lynn Karnezis as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Timothy L. Warren, Division of Enforcement, Securities and Exchange Commission, 175 W. Jackson Blvd., Suite 900, Chicago, IL, 60604.

By the Commission.

Elizabeth M. Murphy
Secretary