

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 67230 / June 21, 2012**

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 30120 / June 21, 2012**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-14924**

**In the Matter of**

**Howard L. Blum,**

**Respondent.**

**ORDER INSTITUTING  
ADMINISTRATIVE AND CEASE-AND-  
DESIST PROCEEDINGS PURSUANT TO  
SECTIONS 15(b) AND 21C OF THE  
SECURITIES EXCHANGE ACT OF 1934  
AND SECTION 9(b) OF THE  
INVESTMENT COMPANY ACT OF 1940,  
MAKING FINDINGS, AND IMPOSING  
REMEDIAL SANCTIONS AND A CEASE-  
AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Howard L. Blum (“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, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 and Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist (“Order”), as set forth below.

### **III.**

On the basis of this Order and Respondent’s Offer, the Commission finds<sup>1</sup> that:

#### **Summary**

1. These proceedings arise out of Respondent Blum’s role as a broker for a stock-collateralized loan business operated by Ayuda Equity Funding, LLC (“Ayuda”), which is controlled by Manuel M. Bello (“Bello”). From at least 2007, Respondent Blum engaged in the business of identifying, soliciting, and communicating with potential borrowers to transfer to Ayuda ownership of publicly traded stock as collateral for loans. By engaging in this conduct and receiving transaction-based compensation therewith, Blum acted as unregistered broker.

#### **Respondent**

2. **Howard L. Blum**, age 51, is a resident of New York, New York. During the relevant period, Blum worked as a broker for Ayuda. Blum formerly held Series 3 and 7 securities licenses. During the relevant period, Blum was not registered with the Commission in any capacity.

#### **Other Relevant Entities**

3. **Ayuda Equity Funding, LLC** is a Nevada limited liability company located in North Butler, New Jersey. Ayuda Equity Funding, LLC is wholly owned by Ayuda Funding Corporation. Bello is the President and CEO of Ayuda Funding Corporation. Ayuda Equity Funding, LLC is not registered with the Commission in any capacity.

#### **Background**

4. In 2007, Blum was engaged by Ayuda as a salesperson for Ayuda’s stock-collateralized loan business. Blum was responsible for identifying potential borrowers, soliciting those borrowers, and acting as an intermediary between potential borrowers and Ayuda. From time to time, Blum also supervised Ayuda’s sales team.

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<sup>1</sup> The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

5. While acting as a broker, Blum’s activities went beyond identifying potential borrowers who might be interested in pledging stock to Ayuda as collateral for loans. For example, Blum acted as an intermediary in negotiations between Ayuda and potential borrowers by relaying the terms of the deals between Bello and the borrowers.

6. Blum was also responsible for ensuring that the loan transactions he brokered for Ayuda closed. For example, he would routinely follow up with borrowers to ensure that they received the term sheet from Ayuda. If the borrower approved the term sheet, Blum would then send the term sheet to the appropriate person at Ayuda. Blum would also follow up with the borrower once they received the loan documentation and answer any questions that the borrowers had regarding the loan documents or the closing. Finally, Blum was responsible for ensuring that the borrower provided the collateral to Ayuda in order to close the loan. On some occasions, Blum also recommended legal counsel to potential borrowers to assist with the loan transaction.

7. During the relevant period, Ayuda paid Blum \$904,880 as transaction-based compensation for brokering more than 25 stock-collateralized loans. Ayuda calculated Blum’s transaction-based compensation as a percentage of the loan amount, and only paid Blum if the loan transaction closed.

8. In performing the above-described conduct, for which he received transaction-based compensation, Blum knew or should have known that he was required to register as a broker-dealer or associate with a registered broker-dealer.

### **Blum Acted as an Unregistered Broker**

9. Section 15(a)(1) of the Exchange Act makes it unlawful for any broker or dealer to use the means of interstate commerce to effect any transactions in, or to induce or attempt to induce the purchase or sale of, any security unless such broker or dealer is registered with the Commission, or in the case of a natural person, is associated with a registered broker-dealer. Section 3(a)(4) of the Exchange Act defines a “broker” as any person, other than a bank, “engaged in the business of effecting transactions in securities for the account of others.”

10. Based on the conduct described above, Blum acted as a broker without being registered or associated with a registered broker-dealer.

11. As a result, Blum willfully<sup>2</sup> violated Section 15(a) of the Exchange Act.

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<sup>2</sup> A willful violation of the securities laws means merely “that the person charged with the duty knows what he is doing.” *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor “also be aware that he is violating one of the Rules or Acts.” *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

## Undertaking

12. Respondent has undertaken to provide to the Commission, within thirty (30) days after the end of the twelve (12) month suspension period described below, an affidavit that he has complied fully with the sanctions described in Section IV below.

### IV.

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

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent Blum cease and desist from committing or causing any violations and any future violations of Section 15(a) of the Exchange Act;

B. Respondent Blum be, and hereby is:

suspended from association with any broker, dealer, investment adviser, municipal securities dealer, or transfer agent;

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; and

suspended from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock;

for a period of twelve (12) months, effective on the second Monday following the entry of this Order.

C. Respondent Blum shall pay disgorgement of \$904,880 and prejudgment interest of \$112,862 to the United States Treasury. Payment shall be made in five installments according to the following schedule: (1) \$508,871, within ten days of the entry of this Order, plus post-order interest thereon pursuant to SEC Rule of Practice 600; (2) \$127,218, on or before September 11, 2012, plus post-order interest thereon pursuant to SEC Rule of Practice 600; (3) \$127,218, on or before December 11, 2012, plus post-order interest thereon pursuant to SEC Rule of Practice 600; (4) \$127,218, on or before March 11, 2013, plus post-order interest thereon pursuant to SEC Rule of Practice 600; and (5) \$127,217, on or before June 11, 2013, plus post-order interest thereon pursuant to SEC Rule of Practice 600. If any payment is not made by the date the payment is

required by this Order, the entire outstanding balance, plus interest accrued pursuant to SEC Rule of Practice 600, shall be due and payable immediately, without further application. Payment 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 Street, N.E., Stop 6042, Washington, DC 20549; and (D) submitted under cover letter that identifies Howard L. Blum 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 Julie M. Riewe, Assistant Director, Division of Enforcement, Securities and Exchange Commission, 100 F Street, N.E., Washington, DC 20549-5010;

D. Respondent Blum shall, within ten (10) days of the entry of this Order, pay a civil money penalty of \$50,000 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717. Payment 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 Street, N.E., Stop 6042, Washington, DC 20549; and (D) submitted under cover letter that identifies Howard L. Blum 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 Julie M. Riewe, Assistant Director, Division of Enforcement, Securities and Exchange Commission, 100 F Street, N.E., Washington, DC 20549-5010; and

E. Respondent shall comply with the undertaking enumerated in Section III, paragraph 12 above.

By the Commission.

Elizabeth M. Murphy  
Secretary