

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 67454 / July 18, 2012

INVESTMENT ADVISERS ACT OF 1940
Release No. 3433 / July 18, 2012

ADMINISTRATIVE PROCEEDING
File No. 3-14951

In the Matter of

Kimon P. Daifotis,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO SECTION 15(b)
OF THE SECURITIES EXCHANGE ACT OF 1934
AND 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 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Kimon P. Daifotis (“Respondent” or “Daifotis”).

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 15(b) of the Securities Exchange Act of 1934 and 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. Daifotis was Chief Investment Officer for Fixed Income of Charles Schwab Investment Management ("CSIM") until his position was eliminated in July 2008. He was also an officer of Schwab Investments, Senior Vice President of CSIM, and oversaw the portfolio management of the Schwab YieldPlus Fund ("YieldPlus"). Daifotis was an employee of CS&Co. and performed services for CSIM. Daifotis was listed on CRD as associated with CS&Co. Daifotis currently remains unemployed. He has Series 3, 7 and 63 licenses. Daifotis, 52 years old, is a resident of Corte Madera, California.

2. On July 17, 2012, a final judgment was entered by consent against Daifotis, permanently enjoining him from future violations of Section 17(a)(2) of the Securities Act of 1933, and Section 34(b) of the Investment Company Act of 1940, in the civil action entitled Securities and Exchange Commission v. Daifotis, et al., Civil Action Number 3:11-CV-0137, in the United States District Court for the Northern District of California.

3. The Commission's complaint alleged that Daifotis committed securities law violations in connection with the offer, sale and management of YieldPlus. According to the complaint, Daifotis misled or failed to adequately inform investors about the risks of investing in YieldPlus. The complaint also charged that Daifotis misleadingly described YieldPlus as only slightly riskier than a money market fund, falsely claimed that the Fund primarily held very short maturity bonds, misleadingly failed to disclose YieldPlus's substantial holdings of securities backed by "Alt-A" mortgages, and falsely stated that the level of redemptions that the Fund was experiencing were "very, very, very slight" or otherwise minimal in mid-August 2007.

IV.

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

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act and Section 203(f) of the Advisers Act that Respondent Daifotis 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; and

barred 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,

with the right to apply for reentry after three (3) years to the appropriate self-regulatory organization, or if there is none, to the Commission.

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