

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 3524 / December 20, 2012

ADMINISTRATIVE PROCEEDING
File No. 3-15150

In the Matter of

STEVEN B. HART,

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 Steven B. Hart (“Hart”).

II.

In anticipation of the institution of these proceedings, Hart 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, Hart 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 (the “Order”), as set forth below.

III.

On the basis of this Order and Hart's Offer, the Commission finds that:

1. Hart is the president, investment manager, portfolio manager, and sole owner and employee of Octagon Capital LLC, which is the general partner and manager of Octagon Capital Partners, LP ("Octagon Capital Partners"), an investment fund. Octagon Capital LLC and Octagon Capital Partners have never been registered with the Commission in any capacity. Hart was also employed as a portfolio manager from January 2006 to April 2011, providing investment advice for various investment funds (the "employer's funds"). Hart previously held Series 7 and 63 licenses and was associated with two broker-dealers that were registered with the Commission. Hart is 40 years old and is a resident of New York, New York.

2. On December 13, 2012, a final judgment was entered by consent against Hart in the civil action entitled Securities and Exchange Commission v. Steven B. Hart, Civil Action Number 12-CV-8986 (JPO), in the United States District Court for the Southern District of New York, permanently enjoining Hart from violating Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act. Under the final judgment, Hart is liable to pay disgorgement in the amount of \$831,071, plus prejudgment interest thereon in the amount of \$103,424, and a civil penalty in the amount of \$394,733.

3. The Commission's complaint against Hart alleged that, in connection with Hart's management of Octagon Capital Partners and the provision of investment advice to one of his employer's funds, Hart engaged in two fraudulent trading schemes, one involving matched trading and the other involving insider trading ahead of certain confidentially marketed offerings. As to the matched trading, the complaint further alleged that, from January 17, 2008 to June 4, 2009, Hart directed thirty-one matched trades in the securities of certain thinly traded issuers, intentionally causing his employer's fund to pay inflated prices for the securities to Octagon Capital Partners. Through this scheme, Hart benefitted Octagon Capital Partners at the expense of his employer's fund. The complaint further alleged that, from June 19, 2007 through March 15, 2011, Hart, on behalf of Octagon Capital Partners, traded the securities of nineteen issuers while in the possession of material nonpublic information. Generally, as to these issuers, Hart had been solicited to invest in their private investments in public equity (PIPEs), registered direct offerings, or confidentially marketed public offerings, and had agreed to keep confidential the information related to these offerings and not trade the issuers' securities until the offerings were publicly announced. Additionally, the complaint alleged that in two instances, Hart had signed a securities purchase agreement in which he falsely represented that, after being solicited, he had not traded the issuer's securities in the days leading up to the public announcement of the transaction.

IV.

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

Accordingly, it is hereby ORDERED pursuant to Section 203(f) of the Advisers Act that Hart be, and hereby is:

barred from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

Any reapplication for association by Hart 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 Hart, 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