

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 68756 / January 29, 2013

INVESTMENT ADVISERS ACT OF 1940
Release No. 3539 / January 29, 2013

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3443 / January 29, 2013

ADMINISTRATIVE PROCEEDING
File No. 3-15193

In the Matter of

LISA B. HOVAN, CPA

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO RULE 102(e)
OF THE COMMISSION'S RULES OF
PRACTICE 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 Rule 102(e)(3)(i) of the Commission's Rules of Practice¹ and pursuant to Section 203(f) of the

¹ Rule 102(e)(3)(i) provides, in relevant part, that:

The Commission, with due regard to the public interest and without preliminary hearing, may, by order, . . . suspend from appearing or practicing before it any . . . accountant . . . who has been by name . . . permanently enjoined by any court of competent jurisdiction, by reason of his or her misconduct in an action brought by the Commission, from violating or aiding and abetting

Investment Advisers Act of 1940 (“Advisers Act”) against Lisa B. Hovan, CPA (“Respondent” or “Hovan”).

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 her and the subject matter of these proceedings, and the findings contained in Section III.3, below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Rule 102(e) of the Commission’s Rules of Practice 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. Respondent, age 45, is a certified public accountant, currently licensed in California and previously licensed in New Jersey and New York. She is a resident of Belvedere, California.
2. From 1999 through 2010, Respondent was a member, indirect owner with her husband, and Chief Financial Officer of Hovan Capital Management, LLC (“HCM”), an investment adviser registered with the Commission. Among HCM’s clients, from August 2006 until March 2009, HCM served as a sub-adviser to a Commission-registered investment company that was based in Harrison, New York.
3. On January 14, 2013, a final judgment was entered against Hovan, permanently enjoining her from future violations of Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”), Exchange Act Rule 10b-5, Sections 206(1), 206(2) and 207 of the Advisers Act, in the civil action entitled *Securities and Exchange Commission v. Kurt Hovan, et al.*, Civil Action No. CV-11-4795-RS, in the United States District Court for the Northern District of California. Hovan was also ordered to pay a \$50,000 civil money penalty.
4. The Commission’s complaint alleged, among other things, that Hovan, acting with her husband, Kurt Hovan, misused so-called “soft dollars” that HCM had obtained as rebates on commissions paid for securities trades executed in the accounts of HCM’s clients. According to the complaint, contrary to assurances to clients and others that HCM would only use soft dollars to pay for a limited category of services that benefitted HCM’s clients, Respondent and her husband and HCM used the soft dollars for prohibited purposes, including for HCM’s rent, salaries, and for office equipment for HCM. The complaint further alleged that Respondent provided the mutual fund client of HCM’s with certifications stating that soft dollars had not been

the violation of any provision of the Federal securities laws or of the rules and regulations thereunder.

used to pay for items other than research that would benefit the client.

IV.

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

Accordingly, it is hereby ORDERED, effective immediately, that:

A. Pursuant to Rule 102(e)(3)(i) of the Commission's Rules of Practice, Respondent Hovan is suspended from appearing or practicing before the Commission as an accountant.

B. After five years from the date of this Order, Respondent may request that the Commission consider her reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as:

1. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission. Such an application must satisfy the Commission that Respondent's work in her practice before the Commission will be reviewed either by the independent audit committee of the public company for which she works or in some other acceptable manner, as long as she practices before the Commission in this capacity; or

2. an independent accountant. Such an application must satisfy the Commission that:

(a) Respondent, or the public accounting firm with which she is associated, is registered with the Public Company Accounting Oversight Board ("Board") in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective;

(b) Respondent, or the registered public accounting firm with which she is associated, has been inspected by the Board and that inspection did not identify any criticisms of or potential defects in the Respondent's or the firm's quality control system that would indicate that the Respondent will not receive appropriate supervision;

(c) Respondent has resolved all disciplinary issues with the Board, and has complied with all terms and conditions of any sanctions imposed by the Board (other than reinstatement by the Commission); and

(d) Respondent acknowledges her responsibility, as long as Respondent appears or practices before the Commission as an independent accountant, to comply with all requirements of the Commission and the Board, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews and quality control standards.

C. The Commission will consider an application by Respondent to resume appearing or practicing before the Commission provided that her state CPA license is

current and she has resolved all other disciplinary issues with the applicable state boards of accountancy. However, if state licensure is dependent on reinstatement by the Commission, the Commission will consider an application on its other merits. The Commission's review may include consideration of, in addition to the matters referenced above, any other matters relating to Respondent's character, integrity, professional conduct, or qualifications to appear or practice before the Commission.

D. Pursuant to Section 203(f) of the Advisers Act, Respondent Hovan is barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, with the right to apply for reentry after five 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.

By the Commission.

Elizabeth M. Murphy
Secretary