

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 3699 / October 21, 2013

ADMINISTRATIVE PROCEEDING
File No. 3-15581

In the Matter of

TODD NEWMAN,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO SECTION
203(f) OF THE INVESTMENT ADVISERS
ACT OF 1940 AND NOTICE OF HEARING**

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 Todd Newman (“Respondent” or “Newman”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

1. Newman, age 49, resides in Needham, Massachusetts. From 2006 through 2011, Newman was employed as a portfolio manager at Diamondback Capital Management, LLC (“Diamondback”), a registered investment adviser based in Stamford, Connecticut.

B. ENTRY OF THE INJUNCTION / RESPONDENT’S CRIMINAL CONVICTION

2. On October 4, 2013, a final judgment was entered against Newman, permanently enjoining him from future violations of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 thereunder, in the civil

action entitled SEC v. Adondakis, et al., Civil Action Number 12-CV-0409 (HB), in the United States District Court for the Southern District of New York.

3. The Commission's complaint alleged, among other things, that, beginning in 2008, in connection with the purchase or sale of securities, Newman knew, recklessly disregarded, or should have known, that material nonpublic information he received from a Diamondback analyst was disclosed or misappropriated in breach of a fiduciary duty, or similar relationship of trust and confidence, and that Newman is liable for insider trading because he directly or indirectly caused Diamondback to place trades based on material nonpublic information and/or unlawfully tipped such information to Diamondback.

4. On December 17, 2012, Newman was convicted of one count of conspiracy to commit securities fraud and four counts of securities fraud in violation of Section 10(b) of the Exchange Act and Rule 10b-5 before the United States District Court for the Southern District of New York, in U.S. v. Newman et al., S2:12-cr-121 (RJS). On May 9, 2013, a judgment in the criminal case was entered against Newman. He was sentenced to a prison term of 54 months followed by one year of supervised release. He was also ordered to pay a fine of \$1 million and \$737,724 in criminal forfeiture.

5. The criminal charges against Newman alleged, among other things, that Newman employed devices and schemes to defraud by executing, and/or causing others to execute, securities trades on behalf of Diamondback based on material nonpublic information.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

For the Commission, by its Secretary, pursuant to delegated authority.

Elizabeth M. Murphy
Secretary