

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9686 / December 10, 2014

SECURITIES EXCHANGE ACT OF 1934
Release No. 73801 / December 10, 2014

INVESTMENT ADVISERS ACT OF 1940
Release No. 3976 / December 10, 2014

INVESTMENT COMPANY ACT OF 1940
Release No. 31367 / December 10, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-16311

In the Matter of

**RELIANCE FINANCIAL
ADVISORS, LLC, TIMOTHY
S. DEMBSKI and WALTER F.
GRENDA, JR.,**

Respondents.

**ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTION 8A OF THE SECURITIES ACT
OF 1933, SECTIONS 15(b) AND 21C OF
THE SECURITIES EXCHANGE ACT OF
1934, SECTIONS 203(e), 203(f) AND 203(k)
OF THE INVESTMENT ADVISERS ACT
OF 1940, AND SECTION 9(b) OF THE
INVESTMENT COMPANY ACT OF 1940**

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 Section 8A of the Securities Act of 1933 (“Securities Act”), Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Reliance Financial Advisors, LLC (“Reliance Financial”), Timothy S. Dembski (“Dembski”) and Walter F. Grenda, Jr. (“Grenda,” and together with Reliance Financial and Dembski, “Respondents”).

II.

After an investigation, the Division of Enforcement alleges that:

A. SUMMARY

1. This case involves misconduct by Dembski and Grenda, founders and joint owners of Reliance Financial, an investment adviser registered with the Commission. Dembski and Grenda each made (or used) false and misleading statements to their advisory clients at Reliance Financial in recommending and selling investments in a risky hedge fund—Prestige Wealth Management Fund, LP (“Prestige Fund” or the “Fund”), that Dembski founded along with his long-time friend, Scott M. Stephan (“Stephan”).

2. Dembski and Stephan co-owned Prestige Wealth Management, LLC (“Prestige” or “General Partner”), the General Partner to the Prestige Fund. The Prestige Fund’s trading strategy was described to prospective investors as being fully-automated with all trades being made according to, and by, a computer algorithm (the “Algorithm”).

3. Dembski and Grenda both sold interests in the Prestige Fund exclusively to long-standing clients of their investment advisory and tax preparation services at Reliance Financial, and at its predecessor entity, Reliance Financial Group (“Reliance Group”). As Dembski and Grenda understood from advising these advisory and/or tax clients over the years, many of them were retired or near retirement, on fixed incomes, and lacked investment acumen.

4. As Dembski and Grenda knew or recklessly disregarded, the Prestige Fund was a highly speculative, risky investment. Indeed, neither Dembski nor Stephan had any experience in managing a hedge fund and, in Stephan’s case, virtually no investing experience at all.

5. Nonetheless, Dembski and Grenda knowingly or recklessly made or used false and misleading statements to their advisory clients in order to create the false appearance that an investment in the Prestige Fund was less risky than it really was. For example:

- a. Dembski and Grenda provided their clients with a private placement memorandum (the “PPM”) that they knew or recklessly disregarded greatly exaggerated Stephan’s experience in the securities industry;
- b. Dembski led certain of his clients to believe (falsely) that he both created the Algorithm and monitored the Fund’s performance on a regular (sometimes daily) basis in order to comfort those investors that their risk of loss was limited; and
- c. Dembski also created the false impression for certain of his clients that sophisticated institutional investors were interested in acquiring the Algorithm.

6. Dembski’s and Grenda’s respective clients trusted them. Thus, at their recommendations, Dembski’s and Grenda’s clients, respectively, invested approximately \$4 million and \$8 million in the Prestige Fund. The Prestige Fund started trading in April 2011.

7. The Prestige Fund did not, however, have positive returns as advertised. In approximately October 2012 (approximately 18 months after the Fund started trading), Grenda withdrew his clients from the Prestige Fund. Then, in approximately December 2012, the Prestige Fund collapsed, losing approximately 80% of its value, as a result of Stephan placing manual trades, contrary to the automated trading strategy sold to investors. Thus, Dembski's client lost the vast majority of their investments.

8. In addition, between September 2009 and December 2009, Grenda also borrowed \$175,000 from two of his advisory clients (a mother and a daughter), telling them that he would use the loan to grow his business. That was not true, as Grenda knew or recklessly disregarded. Instead, Grenda used the money to, among other things, pay personal expenses and debts.

B. RESPONDENTS

9. **Reliance Financial Advisors, LLC** is a Buffalo-based investment adviser that registered with the Commission in January 2011. Dembski and Grenda founded and, during the relevant time period, jointly owned Reliance Financial.

10. **Timothy S. Dembski**, age 42, resides in Lancaster, New York. In January 2011, Dembski co-founded and was Managing Partner at Reliance Financial, an investment adviser registered with the Commission. Also in early 2011, Dembski co-founded the Prestige Fund and its General Partner, Prestige. Prior to founding Reliance Financial and the Prestige Fund, Dembski provided investment advisory services to individual clients in his role at Reliance Group. In addition, from approximately October 2006 through March 2011, Dembski was a registered representative associated with a registered broker-dealer ("BD1"). From approximately September 2011 to July 2013, Dembski was a registered representative with another registered broker-dealer ("BD2").

11. **Walter F. Grenda, Jr.**, age 57, resides in Buffalo, New York. In January 2011, Grenda co-founded and was Managing Partner at Reliance Financial, an investment adviser registered with the Commission. Prior to founding Reliance Financial, Grenda provided investment advisory services to individual clients in his role at Reliance Group. In addition, Grenda was a registered representative with BD1 from approximately October 2006 through March 2011 and with BD2 from approximately September 2011 through July 2013.

C. OTHER RELEVANT PEOPLE AND ENTITIES

12. **Scott M. Stephan**, age 40, resides in Hamburg, New York. Stephan co-founded the Prestige Fund and the General Partner in early 2011 and was the Fund's Chief Investment Officer and sole portfolio manager. Prior to founding the Prestige Fund, Stephan worked at the Reliance Group and was a registered representative with BD1 from approximately June 2009 through March 2011.

13. **Prestige Wealth Management Fund, LP**, was a private investment fund under the Investment Company Act and organized as a limited partnership under Delaware law on November 19, 2010.

14. **Prestige Wealth Management, LLC**, was a limited liability company organized in Delaware on November 12, 2010, and adviser to the Prestige Fund. Dembski and Stephan were the sole members of Prestige (which served as the General Partner to the Prestige Fund), each owning 50%. Prestige charged the Prestige Fund a 2% management fee and a 20% performance fee on an annualized basis. Prestige was not registered with the Commission.

15. **Reliance Financial Group**, was a Buffalo-based investment adviser founded and jointly owned by Dembski and Grenda from 1998 to 2011. Reliance Group was not registered with the Commission. Dembski and Grenda transferred their advisory clients from Reliance Group to Reliance Financial starting in approximately February 2011.

FACTS

D. DEMBSKI AND GREND A HIRE STEPHAN TO WORK AT RELIANCE GROUP

16. In approximately April 2007, Dembski hired Stephan to work for him and Grenda at Reliance Group. Dembski and Stephan were long-time friends; Dembski was godfather to at least one of Stephan's children. When Stephan first started working for Dembski and Grenda, Stephan had no professional experience in the securities industry, trading securities, investing, or providing investment advice to others. Virtually all of Stephan's professional experience to that point had been collecting on—and managing others who collected on—past-due car loans. Dembski and Grenda knew of (or recklessly disregarded) Stephan's prior work experience and that he had no experience in securities or investments when he was hired to work at Reliance Group.

17. Dembski and Grenda hired Stephan to assist them with telemarketing efforts for the services they offered at Reliance Group. In that role, Stephan's job was to locate new investment advisory clients for Dembski and Grenda through, among other things, placing cold calls and arranging sales seminars.

18. At no point, however, did Stephan provide Reliance Group's clients with investment advice, trade securities, or make investment decisions. At most, Stephan—from time to time—discussed investment ideas with Reliance Group's college interns, and assisted Grenda with various research tasks.

E. DEMBSKI AND STEPHAN SET UP THE PRESTIGE FUND

19. In Summer 2010, Stephan approached Dembski about establishing a hedge fund to undertake an automated trading strategy of Stephan's own design, the Algorithm. The Algorithm purportedly had the following features:

- a. It operated as a day-trading strategy that would hold no securities overnight;
- b. It was designed to automatically buy or sell stocks and interests in Exchange Traded Funds ("ETFs") at pre-programmed times of the day and according to pre-programmed market signals; and

- c. It was supposed to automatically enter a long position on a chosen stock or ETF should it go up approximately 1 to 1.5 percent and it would automatically enter a short position on a chosen stock or ETF should it go down approximately 1 to 1.5 percent. Once in a position, the Algorithm automatically would exit it after a 3 percent gain or a 1 percent loss, respectively.

20. Dembski and Stephan did not undertake any real-time testing of the Algorithm, for example, by investing funds using its formula to see how it performed under actual market conditions. At most, they “back tested” the Algorithm, *i.e.*, looked at certain securities trading in the past to see how the Algorithm would have performed had it actually placed trades in those securities over those periods.

21. Neither Dembski nor Stephan had any experience establishing or running a hedge fund or in algorithmic or other automated trading strategies, a fact Grenda also knew or recklessly disregarded after working with them for years. Indeed, as discussed above, Stephan had little-to-no experience managing client funds or making investments. Nonetheless, Dembski and Stephan decided to set up the Prestige Fund to trade based on the Algorithm.

22. Dembski and Stephan hired a law firm (the “Law Firm”) to advise them on the process of setting up the hedge fund, including to assist them in preparing the necessary fund documents, including the PPM, limited partner agreements, and subscription agreements.

23. Based on discussions that he had with the Law Firm, Dembski understood that—because of his role with Reliance Financial, a soon-to-be registered investment adviser—he and Stephan would need to register Prestige with the Commission unless Dembski avoided having anything to do with the day-to-day management of the Prestige Fund. Dembski and Stephan agreed that Dembski would have no day-to-day involvement in the Fund.

24. Thus, even before the Prestige Fund began operations, Dembski planned to have no involvement in managing its trading affairs. Indeed, to maintain this separation, Dembski did not even check on the Prestige Fund’s performance or receive its quarterly account statements with any regularity.

25. In or about November 2010, Dembski and Stephan established Prestige and the Prestige Fund (the former of which served as General Partner and adviser to the Fund).

26. Grenda recommended the Fund to his advisory clients. He also played an active role in reviewing the fund documents (including the PPM). It was Grenda’s intention and hope that after the Prestige Fund proved successful, Dembski and Stephan would eventually include him as an owner. In anticipation of this, at times he referred to himself as the “president” of, or a “partner” in, the Prestige Fund.

F. DEMBSKI AND GREENDA RECOMMEND AND SELL INVESTMENTS IN THE PRESTIGE FUND TO THEIR ADVISORY CLIENTS

27. From about February 2011 to September 2012, Dembski and Grenda raised approximately \$12 million selling interests in the Prestige Fund. The Prestige Fund's investors were comprised of Dembski's and Grenda's advisory clients at Reliance Financial and its predecessor entity, as well as clients for whom Dembski prepared tax return filings. Ultimately, Dembski procured approximately \$4 million in investments for the Prestige Fund from approximately 19 of his advisory or tax clients, while Grenda procured approximately \$8 million in investments from approximately 23 of his advisory clients.

28. To come up with the money to invest in the Prestige Fund, certain of Grenda's advisory clients had to cash in variable annuities, for which they incurred approximately \$290,000 in surrender fees.

29. Dembski and Grenda had provided investment and/or tax preparation advice to many of their respective clients for years prior to their investing in the Prestige Fund. They, therefore, understood their clients' financial conditions and knew that many were unsophisticated investors, who were retired or nearing retirement. In addition, as Dembski and Grenda understood, their clients trusted Dembski and Grenda to prudently manage their finances.

30. In recommending and selling investments for the Prestige Fund, Dembski and Grenda told their advisory clients, among other things, that the Prestige Fund's trading would be fully automated and directed by the Algorithm.

31. Dembski also told some prospective investors that they could make upwards of 20% on their investment per year.

G. DEMBSKI AND GREENDA MAKE OR DISTRIBUTE MATERIALLY FALSE AND MISLEADING STATEMENTS WHEN RECOMMENDING AND SELLING INVESTMENTS IN THE PRESTIGE FUND

32. In selling the Prestige Fund, Dembski and Grenda knew or recklessly disregarded: (a) that the Fund was a speculative investment; (b) that Stephan, the Algorithm's creator, had no prior experience running an algorithmic trading platform or hedge fund and, indeed, had virtually no experience trading or investing at all; and (c) that Dembski's and Grenda's advisory clients did not know Stephan and, thus, had no reason to trust or invest with him.

33. Nonetheless, Dembski and Grenda made or disseminated to their advisory clients and other investors or prospective investors in the Prestige Fund, a number of materially false and misleading statements in order to create the appearance that the Prestige Fund was a relatively safe, in-demand investment, overseen by professional money managers.

Dembski and Grenda Knew or Recklessly Disregarded that Stephan's Biography in the PPM was False and Misleading

34. Prestige Fund's PPM, dated February 1, 2011, contained the following biography for Stephan:

Scott M. Stephan is co-founder and Chief Investment Officer of the General Partner. He has exclusive responsibility to make the Fund's investment decisions on behalf of the General Partner. Mr. Stephan has worked in the financial services industry for over 14 years. The first half of his career he co-managed a portfolio of over \$500 million for First Investors Financial Services. Afterwards, Mr. Stephan took a position as Vice President of Investments for a New York based investment company in which he was responsible for portfolio management and analysis.

35. The PPM's description of Stephan's professional experiences prior to joining Reliance Group as well as his being "responsible for portfolio management and analysis" at Reliance Group were highly misleading, if not outright false. *First*, as discussed above, Stephan had no experience in the securities industry prior to joining Reliance Group in 2007. From 1999 to 2007, Stephan was responsible for collecting, or managing a group that collected, on past due car loans. This involved managing a group within a debt-collection call center, reaching out to debtors to obtain payment, and recommending cars to be repossessed in the event of non-payment. In that position, Stephan undertook no trading, managed no securities portfolios, provided no investment advice, and made no decisions concerning securities investments. Moreover, Stephan had no responsibility for determining what car loans to purchase and the value of the loans he was responsible for collecting was far less than \$500 million.

36. *Second*, upon joining Reliance Group, Stephan had little-to-no experience selecting or making investments. Indeed, Dembski and Grenda hired him to undertake telemarketing efforts. Stephan received his securities Series 7, 63 and 66 licenses only in 2009 and, even then, he advised no clients of his own, undertook no trading, and had no control over the portfolios of the Reliance Group's clients. In fact, Stephan's only trading experience was investing approximately \$1,000 that his father loaned to him in or around 2006 or 2007, which Stephan lost.

37. Dembski—who sent a draft of Stephan's biography to the Law Firm for inclusion in the PPM on December 13, 2010 and was thus aware of (or recklessly disregarded) its contents—knew or recklessly disregarded that Stephan's biography was false and/or misleading. Dembski, having been a close friend of Stephan's for years and, having hired Stephan to work at Reliance Group, was aware of Stephan's professional experiences. He knew or recklessly disregarded that Stephan had no prior experience in the securities industry, that he received his securities licenses only in 2009, and that, even at Reliance Group, the so-called "New York based investment company" in the biography, Stephan had a minimal, if any, involvement managing assets, trading securities, or providing investment advice to clients.

38. Similarly, Grenda knew about Stephan's professional background prior to joining Reliance Group as well as his role at Reliance Group. Therefore, Grenda—who read and approved the PPM and then gave it to advisory clients when recommending and selling the Prestige Fund to

them—knew or recklessly disregarded that Stephan’s biography was false and misleading for the same reasons as Dembski. Despite this, Grenda failed to inform his advisory clients that Stephan’s biography was false and misleading or otherwise to tell them the truth concerning Stephan’s work experience.

39. Nonetheless, Dembski and Grenda distributed the PPM to investors and prospective investors in the Prestige Fund.

Dembski’s False Promise to Regularly Monitor the Prestige Fund’s Performance

40. The PPM disclosed that Stephan was Prestige’s “Chief Investment Officer” and, as such, had “exclusive responsibility to make the Fund’s investment decisions on behalf of the General Partner.”

41. Dembski, however, understood that some of his long-term clients did not know Stephan well enough to entrust him with their money. Dembski, therefore, told certain clients that he would monitor the Prestige Fund regularly—to some, he even promised daily monitoring—to ensure that it remained a good investment; even going as far as to tell one investor that he would redeem her investment if the Prestige Fund lost any money. This statement was a comfort to investors because they had known and trusted Dembski (not Stephan) for many years. Additionally, Dembski even told at least one client that he did not need to concern himself with the PPM and to disregard the document.

42. Dembski’s assurances were, however, false (or at least misleading). Dembski understood, even before the Prestige Fund was operational, that he planned to have no involvement with the Prestige Fund’s trading or performance.

43. Dembski understood from his discussions with the Law Firm that while he could own part of Prestige, an unregistered investment adviser, he could not—because of his ownership position in Reliance Financial, a soon-to-be registered investment adviser—be involved in managing the Prestige Fund. In order to avoid the appearance of such management, therefore, Dembski did not—contrary to his promises to certain clients—even check on the Prestige Fund’s performance or receive the Fund’s quarterly performance statements with any regularity. Dembski was, at best, aware of the Prestige Fund’s performance only from information provided by his own clients or from sporadic conversations with Stephan.

Dembski’s Other False and Misleading Statements

44. Dembski made a number of other false and misleading statements to Reliance Financial clients designed to assure them that the Prestige Fund would employ a trading strategy that was sophisticated, safe, and/or in demand:

- a. He told at least two advisory clients that large investment banks had expressed interest in either investing millions of dollars into the Prestige Fund or in outright purchasing the Algorithm;

- b. He told another advisory client who invested in the Fund that he had met with attorneys in New York City about patenting the Algorithm in order to ensure that no one else could take his idea; and
- c. He told an advisory client who invested in the Fund that the Prestige Fund was insured by the Federal Deposit Insurance Corporation.

45. None of these statements were true, as Dembski knew or recklessly disregarded. They were, however, important to his clients because they created the false appearance that other, more sophisticated, investors had vetted the Algorithm and that there was little risk to investing in the Prestige Fund.

46. In addition, Dembski created the false impression that he—and not Stephan—had created the Algorithm. This was false (or at least highly misleading) as Stephan had created the Algorithm and brought the idea to Dembski. Again, however, Dembski understood that his Reliance Financial clients did not know or have reason to trust Stephan’s qualification to run an algorithmic trading platform. When talking to certain investors he, therefore, downplayed or wholly eradicated Stephan’s involvement in the trading platform’s creation in order to obtain investments from his own trusting advisory clients.

H. THE PRESTIGE FUND COLLAPSES

47. The Prestige Fund traded using the Algorithm approximately from April 2011 to September 2011. From that point on—because the Algorithm never worked as intended—Stephan stopped using it altogether. Instead, contrary to what investors were told the Prestige Fund’s trading strategy would be, Stephan manually placed trades.

48. Grenda withdrew his clients’ investments from the Prestige Fund in approximately October 2012. His investors suffered total collective losses of approximately \$320,000, or about 4% of their total investments.

49. In December 2012, the Prestige Fund lost approximately 80% of its value as a result of Stephan manually investing and trading in stock options. Dembski’s client’s, therefore, lost the vast majority of their Prestige Fund investments.

50. In addition to the knowing or reckless conduct outlined above—by failing to tell their advisory clients the true nature about the Prestige Fund and by disseminating a PPM that falsely described Stephan’s experience—Dembski and Grenda each also failed to act as a reasonably careful person would in similar circumstances.

I. GREENDA BORROWS MONEY FROM HIS ADVISORY CLIENTS

51. In addition to the above, Grenda also made false and misleading statements and omissions to two advisory clients—a mother and daughter (“Lenders”)—in order to borrow approximately \$175,000 money from them. In or about September 2009, Grenda asked to borrow \$100,000 from the Lenders, telling them that he wanted the loan to grow his business. Trusting Grenda, the Lenders wired \$100,000 to him on September 11, 2009 from the daughter’s bank account.

52. Grenda did not use the money to grow his business, however. Rather, in the days immediately following the loan, Grenda used a large portion of the money—approximately 50%—to pay personal expenses and debts.

53. In or about December 2009, Grenda requested to borrow more money from the Lenders, again telling them that he wanted the loan to grow his business. Grenda also failed to tell the Lenders that he had used at least a substantial portion of the prior loan for personal expenses. On December 16, 2009, the Lenders wrote a check for an additional \$75,000 to Grenda from the daughter's bank account.

54. Grenda again used a large portion of the money to pay personal expenses and debts. Grenda's statements to the Lenders that he intended to use the loans to build his business were, therefore, false and misleading as Grenda knew or recklessly disregarded. In or around February 2010, one of the Lenders visited Grenda at his business premises to inquire about the loan and he again told her that he planned to use the money to grow his business.

55. In addition, to his knowing or reckless conduct relating to the loans, by failing to tell his advisory clients the truth about his use of the loans—Grenda also failed to act as a reasonably careful person would in similar circumstances.

J. VIOLATIONS

56. As a result of the conduct described above, Respondents Reliance Financial, Dembski, and Grenda willfully violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit, respectively, fraudulent conduct in the offer or sale of securities and in connection with the purchase or sale of securities.

57. As a result of the conduct described above, Respondents Reliance Financial, Dembski and Grenda willfully violated Sections 206(1) and (2) of the Advisers Act, which prohibit an investment adviser from, respectively, "employ[ing] any device, scheme, or artifice to defraud any client or prospective client," or "engag[ing] in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client."

58. As a result of the conduct described above, Respondents Dembski and Grenda willfully aided and abetted and caused:

- a. Prestige's violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder;
- b. Prestige's violations of Section 206(4) of the Advisers Act, which prohibits an investment adviser from "engag[ing] in any act, practice, or course of business which is fraudulent, deceptive, or manipulative," and Rule 206(4)-8 thereunder, which prohibits any investment adviser to a pooled investment vehicle from "mak[ing] any untrue statement of a material fact or omitting to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, to any investor or prospective investor in the pooled investment vehicle," or "otherwise engag[ing] in any act, practice or course of business that is fraudulent, deceptive, or manipulative with

respect to any investor or prospective investor in the pooled investment vehicle”; and

- c. Reliance Financial’s violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and (2) the Advisers Act.

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 and cease-and-desist proceedings be instituted to determine:

- A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondents an opportunity to establish any defenses to such allegations;
- B. What, if any, remedial action is appropriate in the public interest against Respondents pursuant to Section 8A of the Securities Act including, but not limited to, disgorgement and civil penalties;
- C. What, if any, remedial action is appropriate in the public interest against Respondents pursuant to Sections 15(b) and 21C of the Exchange Act including, but not limited to, disgorgement and civil penalties pursuant to Section 21B of the Exchange Act;
- D. What, if any, remedial action is appropriate in the public interest against Respondents pursuant to Sections 203(e), 203(f) and 203(k) of the Advisers Act including, but not limited to, disgorgement and civil penalties pursuant to Section 203 of the Advisers Act;
- E. What, if any, remedial action is appropriate in the public interest against Respondents pursuant to Section 9(b) of the Investment Company Act including, but not limited to, disgorgement and civil penalties pursuant to Section 9 of the Investment Company Act; and
- F. Whether, pursuant to Section 8A of the Securities Act, Section 21C of the Exchange Act, and Section 203(k) of the Advisers Act, Respondents should be ordered to cease and desist from committing or causing violations of and any future violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, Section 206(1), (2), and (4) of the Advisers Act and Rule 206(4)-8 thereunder, whether Respondents should be ordered to pay a civil penalty pursuant to Section 8A(g) of the Securities Act, Section 21B(a) of the Exchange Act, Section 203(i) of the Advisers Act, and Section 9(d) of the Investment Company Act, and whether Respondents should be ordered to pay disgorgement pursuant to Section 8A(e) of the Securities Act, Sections 21B(e) and 21C(e) of the Exchange Act, Section 203 of the Advisers Act, and Section 9 of the Investment Company 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 not earlier than 30 days and not later than 60 days from service of this Order 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 Respondents 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 Respondents fail to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondents 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 Respondents personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 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.

By the Commission.

Brent J. Fields
Secretary