

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 75583 / July 31, 2015

INVESTMENT COMPANY ACT OF 1940
Release No. 31733 / July 31, 2015

ADMINISTRATIVE PROCEEDING
File No. 3-16316

In the Matter of

PAUL J. POLLACK and
MONTGOMERY STREET
RESEARCH, LLC,

Respondents.

ORDER MAKING FINDINGS AND
IMPOSING REMEDIAL SANCTIONS AND A
CEASE-AND-DESIST ORDER PURSUANT
TO SECTIONS 15(b) AND 21C OF THE
SECURITIES EXCHANGE ACT OF 1934
AND SECTION 9(b) OF THE INVESTMENT
COMPANY ACT OF 1940

I.

On December 16, 2014 the Securities and Exchange Commission (“Commission”) instituted public administrative and cease-and-desist proceedings pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Paul J. Pollack (“Pollack”) and Montgomery Street Research, LLC (“Montgomery Street”) (collectively, “Respondents”).

II.

In connection with these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) 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, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Sections 15(b) and 21C of The Securities Exchange Act of 1934 and Section 9(b) of The Investment Company Act of 1940 (“Order”), as set forth below.

III.

On the basis of this Order and the Offers, the Commission finds that:

SUMMARY

1. This matter arises out of trading by Pollack, as well as unregistered broker activity by Pollack and an entity he owns and controls, Montgomery Street. Through Montgomery Street, Pollack served as an outside consultant to Issuer A, a company quoted on OTC Link that is engaged in the acquisition and development of oil and natural gas reserves. In exchange for services provided to Issuer A, Pollack received various compensation, including more than 600,000 shares of Issuer A common stock.

2. From approximately January 2011 through June 2012, Pollack created a false appearance of market activity in Issuer A's stock by engaging in over 200 wash trades through his control of eight accounts at five broker-dealers. In addition, Respondents acted as unregistered brokers in raising funds on behalf of Issuer A in two private placements. Specifically, in Issuer A's common stock offering and preferred stock offering, Respondents assisted Issuer A in raising \$2.9 million from 11 investors. Among other things, Respondents identified and solicited potential investors, provided financial information regarding the issuer, fielded investor inquiries, and with respect to the preferred stock offering, they received transaction-based compensation. Throughout their fund-raising for Issuer A, Respondents were not registered as brokers nor associated with a registered broker-dealer. By virtue of this conduct, Montgomery Street violated Section 15(a) of the Exchange Act, and Pollack violated Sections 9(a)(1), 10(b) and 15(a) of the Exchange Act and Rules 10b-5(a) and 10b-5(c) thereunder.

RESPONDENTS

3. **Paul J. Pollack ("Pollack")**, age 54, resides in Phoenix, Arizona. From approximately 1986 to 2002, Pollack was a registered representative associated with broker-dealers registered with the Commission. However, during the relevant period, Pollack was not registered with the Commission as a broker-dealer or associated with a registered broker-dealer. Pollack participated in an offering of Issuer A stock. Issuer A issued 45,000 shares to Pollack.

4. **Montgomery Street Research, LLC ("Montgomery Street")** is a Nevada limited liability company with its principal place of business in Phoenix, Arizona, that purports to provide equity research and consulting services. Pollack formed Montgomery Street in 2005, and he has been its sole owner and managing member since its inception. Montgomery Street is not, and has never been, registered with the Commission in any capacity. Montgomery Street participated in an offering of Issuer A stock.

5. Respondents participated in an offering of Issuer A stock, which is a penny stock.

OTHER RELEVANT ENTITIES

6. **Bhog Partners, LLC (“Bhog Partners”)** is a Wyoming limited liability company that has been solely owned and controlled by Pollack since its formation in March 2012. Bhog Partners has no operations, but rather was created to allow for the deposit and trading of micro-cap stock in brokerage accounts controlled exclusively by Pollack and under Bhog Partners’ name. Issuer A issued 200,000 shares to Bhog Partners. Bhog Partners has never been registered with the Commission in any capacity.

7. **Toro Holdings, LLC (“Toro Holdings”)** is a Nevada limited liability company that has been solely owned and controlled by Pollack since its formation in 2006. Toro Holdings has no operations, but rather was created to allow for the deposit and trading of micro-cap stock in brokerage accounts controlled exclusively by Pollack and under Toro Holdings name. Issuer A issued 200,000 shares to Toro Holdings. Toro Holdings has never been registered with the Commission in any capacity.

8. **Giddy-Up Partners, LLC (“Giddy-Up Partners”)** is a Nevada limited liability company that has been solely owned and controlled by Pollack since its formation in 2008. Giddy-Up Partners has no operations, but rather was created to allow for the deposit and trading of micro-cap stock in brokerage accounts controlled exclusively by Pollack and under Giddy-Up Partners name. Issuer A issued 220,000 shares to Giddy-Up Partners. Giddy-Up Partners has never been registered with the Commission in any capacity.

POLLACK AND MONTGOMERY STREET ACTED AS UNREGISTERED BROKERS

9. In March 2010, Issuer A entered into a letter agreement with Montgomery Street (the “Letter Agreement”) for a three-year term beginning on March 2, 2010. Pursuant to the Letter Agreement, Montgomery Street was to provide “general advice to the Company, its growth strategies, and position within the public capital markets.” In exchange for these services, Montgomery Street was to receive “\$500,000 to be paid in the form of 80,000,000 shares of [Issuer A] Common Stock.” On April 18, 2011, Issuer A declared a 1:100 reverse split of Issuer A stock, changing the number of shares due Montgomery Street under the Letter Agreement from 80,000,000 to 800,000.

10. Notwithstanding the lack of specificity of the services to be rendered pursuant to the Letter Agreement, Issuer A in fact hired Respondents to assist in raising money and to make introductions to potential investors.

11. Issuer A conducted two private placements of its securities during the three-year term of the Letter Agreement. The first offering was a sale of common stock to raise funds to cover expenses associated with Issuer A’s pursuit of listing on a national exchange and to place a down payment on the acquisition of certain oil and gas leaseholds. The second offering was a sale of preferred stock and was designed to raise funds to finalize the purchase of those oil and gas leaseholds.

12. From approximately November 2010 through April 2011, Respondents participated in effecting transactions in Issuer A's common stock through their involvement at key points in the chain of distribution. Pollack, acting through Montgomery Street, among other things:

- a. Identified prospective investors;
- b. Solicited prospective investors in phone calls, emails, and meetings;
- c. Provided at least one prospective investor with common stock offering materials, including subscription agreements; and
- d. Directed interested investors on how to complete Issuer A's common stock subscription agreement and provide funds to Issuer A.

13. In addition, at Pollack's direction, an independent contractor serving as an analyst at Montgomery Street ("Analyst A") described Issuer A's business plan to potential investors; prepared investment highlights on behalf of Issuer A; distributed models regarding Issuer A's financial prospects to potential investors; fielded investor inquiries; and provided wiring instructions to interested investors.

14. Following solicitation by Respondents, nine investors purchased a total of \$800,000 of Issuer A's common stock, constituting 80% of the \$1,005,000 total amount raised in the offering.

15. From approximately August 2011 through November 2011, Respondents participated in effecting transactions in Issuer A's preferred stock through their involvement at key points in the chain of distribution. Pollack, acting through Montgomery Street, among other things:

- a. Assisted in formulating key aspects of the offering, including the convertible stock yield, the aggregate amount sought by Issuer A in the offering, and the structure as a preferred stock offering;
- b. Identified prospective investors;
- c. Solicited prospective investors in phone calls, emails, and meetings;
- d. Explained and fielded questions regarding Issuer A's operations, financial condition, and business prospects;
- e. Provided a prospective investor with preferred stock offering materials, including a subscription agreement; and
- f. Directed an interested investor to complete Issuer A's preferred stock subscription agreement and provide funds to Issuer A.

16. In addition, at Pollack's direction, Analyst A continued to maintain and distribute models regarding Issuer A's financial prospects to prospective investors.

17. Following solicitation by Respondents, three investors purchased a total of \$2,100,000 of Issuer A's preferred stock, constituting 32% of the \$6,600,000 total amount raised in the offering.

18. In connection with the preferred stock offering, Pollack and the CEO of Issuer A reached an oral agreement whereby Issuer A was to pay Respondents 5% of the value of Issuer A's preferred stock purchased by Pollack and Montgomery Street investors. Pursuant to their oral agreement, Respondents later received approximately \$105,000 in transaction-based compensation from Issuer A.

19. Pollack and entities controlled by Pollack received 665,000 of the 800,000 shares of Issuer A common stock due pursuant to the Letter Agreement:

- a. Toro Holdings was issued 100,000 shares of Issuer A common stock on or about April 28, 2011. The value of those shares on that date was \$760,000;
- b. Toro Holdings was issued an additional 100,000 shares of Issuer A common stock on or about June 16, 2011. The value of those shares on that date was \$415,000;
- c. Giddy-Up Partners was issued 120,000 shares of Issuer A common stock on or about June 16, 2011. The value of those shares on that date was \$498,000;
- d. Giddy-Up Partners was issued an additional 100,000 shares of Issuer A common stock on or about August 1, 2011. The value of those shares on that date was \$430,000;
- e. Bhog Partners was issued 200,000 shares of Issuer A common stock on or about August 23, 2011. The value of those shares on that date was \$660,000; and
- f. Pollack was issued 45,000 shares of Issuer A common stock on or about June 4, 2013. The value of those shares on that date was \$8,100.

POLLACK MANIPULATED ISSUER A STOCK

20. From approximately December 2010 through October 2012, Pollack had exclusive trading authority over at least ten online accounts at five broker-dealers. Seven of these accounts were in the name of three entities that Pollack solely-owned and controlled, including three accounts in the name of Montgomery Street; three accounts in the name of Toro Holdings; and one account in the name of Bhog Partners.

21. From at least January 2011 through June 2012, eight Pollack-controlled accounts manipulated the market for Issuer A stock by engaging in the practice of wash trading. Wash trading is the purchase and sale of a security, either simultaneously or within a short period of time, that involves no change in the beneficial ownership of the security, as a means of creating artificial market activity. Specifically, Pollack placed buy (or sell) orders for Issuer A stock in one account he controlled, and then simultaneously or within a short period of time entered sell (or buy) orders for Issuer A stock at the exact same price in the exact same or virtually identical quantities in another account he controlled. These paired transactions had no economic impact on Pollack's position in Issuer A and applied upward pressure on the price of Issuer A stock, an otherwise thinly traded stock. By repeatedly making wash trades in the stock of Issuer A, Pollack, intended to and did, create a false or misleading appearance of active trading in the stock of Issuer A.

22. Pollack engaged in this manipulative strategy repeatedly. From approximately January 2011 through June 2012, Pollack conducted approximately 258 wash trades in Issuer A stock on 73 separate days.

23. During the 73 days in which Pollack's wash trades created a false or misleading appearance of active trading in the stock of Issuer A, Pollack (directly or through accounts he controlled) bought a total of 487,569 shares and sold a total of 584,530 shares for trading profits of approximately \$206,349.

24. As a result of the conduct described above, Pollack willfully violated Section 9(a)(1) of the Exchange Act, which prohibits any person from engaging in wash sales “[f]or the purpose of creating a false or misleading appearance of active trading in any security other than a government security, or a false or misleading appearance with respect to the market for any such security. . .”

25. As a result of the conduct described above, Pollack willfully violated Section 10(b) of the Exchange Act and Rules 10b-5(a) and 10b-5(c) thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

26. As a result of the conduct described above, Pollack and Montgomery Street willfully violated Section 15(a)(1) of the Exchange Act, which makes it unlawful for any broker or dealer to make use of the mails or any means or instrumentality of interstate commerce to effect any transactions in, or to induce or attempt to induce the purchase or sale of, certain securities unless such broker or dealer is registered with the Commission pursuant to Section 15(b) of the

Exchange Act (or, if the broker or dealer is a natural person, associated with a registered broker or dealer other than a natural person).

IV.

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

Accordingly, pursuant to Sections 15(b)(6) and 21C of the Exchange Act and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

- A. Respondent Montgomery Street cease and desist from committing or causing any violations and any future violations of Section 15(a) of the Exchange Act.
- B. Respondent Pollack cease and desist from committing or causing any violations and any future violations of Sections 9(a)(1), 10(b), and 15(a) of the Exchange Act and Rule 10b-5 thereunder.
- C. Respondent Pollack 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;
 - prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; 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.
- D. Any reapplication for association by Pollack 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.

E. Respondents Pollack and Montgomery Street on a joint and several basis shall, within 14 days of the entry of this Order, pay disgorgement, which represents profits gained as a result of the conduct described herein of \$311,349 and prejudgment interest of \$31,369.78 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. Respondents Pollack and Montgomery Street on a joint and several basis shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of \$311,349 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. 3717. Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Paul J. Pollack and Montgomery Street Research, LLC as Respondents in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Thomas J. Krysa, Division of Enforcement, U.S. Securities and Exchange Commission, 1961 Stout Street, Suite 1700, Denver, CO 80294-1961.

F. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil

penalty imposed in this proceeding. For purposes of this paragraph, a “Related Investor Action” means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Pollack, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Pollack under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Pollack of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary