

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 4218 / October 7, 2015

ADMINISTRATIVE PROCEEDING
File No. 3-16723

In the Matter of

CHARLES K. MOSLEY,

Respondent.

**ORDER MAKING FINDINGS
AND IMPOSING REMEDIAL
SANCTIONS PURSUANT TO SECTION
203(f) OF THE INVESTMENT ADVISERS
ACT OF 1940**

I.

On August 5, 2015, the Securities and Exchange Commission (“Commission”) instituted proceedings pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Charles K. Mosley (“Respondent” or “Mosley”).

II.

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, Respondent admits the Commission’s jurisdiction over him and the subject matter of these proceedings, and the findings contained in paragraphs III.B.3. and III.B.4. below, and consents to the entry of this Order Making Findings and Imposing Remedial Sanctions Pursuant to Section 203(f) of the Investment Advisers Action of 1940 (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

Respondent

1. Mosley, age 50, was the senior vice-president and portfolio manager for Sentinel Management Group, Inc. (“Sentinel”), an investment adviser registered with the Commission, from October 2002 until August 2007, which includes the period of the conduct underlying the criminal Plea Agreement described below. He resides in Vernon Hills, Illinois.

Respondent’s Criminal Guilty Plea

2. On May 31, 2012, Mosley was indicted in the United States District Court for the Northern District of Illinois, alleging that he engaged in wire fraud in violation of 18 U.S.C. §1343 and investment adviser fraud in violation of 15 U.S.C. §§80b-6(1) and (2), and 80b-17 and 15 U.S.C. §2, based on Mosley’s participation in a scheme to defraud Sentinel’s investment advisory clients. *United States v. Charles K. Mosley*, Case No. 12 CR 409 (N.D. Ill.).

3. On October 8, 2013, Mosley pled guilty to two counts of investment adviser fraud in violation of 15 U.S.C. §§80b-6(1) and (2), and 80b-17 and 15 U.S.C. §2, and admitted that: (1) on July 25, 2007, Mosley misrepresented to a prospective Sentinel customer the risks of investing with Sentinel and Sentinel’s financial condition; and (2) on August 1, 2007, Mosley caused a false and misleading Sentinel daily account statement to be sent to a Sentinel customer.

4. In his Plea Agreement, Mosley further admitted, among other things, that, during the period from 2003 and August 10, 2007, Mosley:

- a. was senior vice-president and portfolio manager of Sentinel;
- b. used securities belonging to Sentinel customer portfolios as collateral for a loan from the Bank of New York (“BoNY”) that Sentinel obtained to purchase millions of dollars of high-risk, illiquid collateralized debt obligations for the benefit of Sentinel’s House Portfolio, without disclosing to Sentinel’s customers that securities in their portfolios were being used in this manner. This strategy of using more and more borrowed money to purchase securities affected all customers, regardless of the portfolio in which they were invested, because the use of the customers’ securities as collateral allowed Mosley to borrow more money than Sentinel otherwise could, and subjected customer securities to potential legal claims by creditors, and allowed Mosley to employ leverage to the extent that Sentinel itself, and all of the customer portfolios, were at increased risk of adverse market movements and insolvency;
- c. traded the Sentinel House Portfolio for the benefit of Sentinel officers, including himself, defendant Bloom, certain Bloom family members, and corporate entities owned and controlled by the Bloom family. In March 2007, Mosley received a bonus of more than \$400,000 for the 2006 profits his trading generated in the Sentinel House Portfolio; and
- d. at the end of 2006, entered into a sham transaction solely for the purpose of temporarily reducing the balance of Sentinel’s loan from BoNY, so that Sentinel’s financial

statements for the year ending December 31, 2006 would show a lower BoNY loan balance, thereby concealing Sentinel's true loan balance from its regulators and customers.

5. On January 30, 2015, Mosley was sentenced in *U.S. v. Mosley* to 8 years in prison and ordered to pay approximately \$666 million in restitution, jointly and severally.

IV.

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

Accordingly, it is hereby ORDERED pursuant to Section 203(f) of the Advisers Act, that Respondent Mosley be, and hereby is barred from association with any broker, dealer, investment adviser, municipal securities dealer, or transfer agent.

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.

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

Brent J. Fields
Secretary