

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 78053 / June 13, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17287

In the Matter of

**KEYGENT LLC, ANTHONY
HSIEH, and CHET WANG**

Respondents.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS
PURSUANT TO SECTIONS 15B(c) AND
21C, AND RULE 15Bc4-1 OF THE
SECURITIES EXCHANGE ACT OF 1934,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-
AND-DESIST ORDER**

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 Sections 15B(c) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), and Rule 15Bc4-1 of the Exchange Act, against Keygent LLC (“Keygent”) and Anthony Hsieh (“Hsieh”), and that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Exchange Act against Chet Wang (“Wang”).

II.

In anticipation of the institution of these proceedings, Keygent, Hsieh, and Wang (collectively “Respondents”) have 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 them 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 Instituting Administrative and Cease-And-Desist Proceedings Pursuant to Sections 15B(c) and 21C, and Rule 15Bc4-1 of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-And-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondents' Offer, the Commission finds¹ that:

Summary

1. This matter involves improper conduct by municipal advisor Keygent LLC ("Keygent"), and two of its associated individuals, Anthony Hsieh and Chet Wang. Keygent specializes in providing municipal advisory services to school districts and community colleges that issue municipal securities.

2. Starting in 2010, Keygent had a contractual arrangement with School Business Consulting, Inc. ("SBCI") to advise Keygent's senior management on strategy, new business development, public policy, and research. SBCI also provides general consulting services to school districts in California. As part of these consulting services to school districts, SBCI, through its principal, Terrance Bradley, makes recommendations to its school district clients on the selection of municipal advisors such as Keygent.

3. In connection with the municipal advisor hiring process for five of SBCI's school district clients, Keygent, Hsieh, and Wang improperly received confidential information about the hiring process, including advance notice of draft interview questions, the specifics of some competitors' proposals, and other information from Bradley. SBCI and Bradley did not have authority to share this information with Keygent and the school districts were unaware it had been provided. Each of the five school districts subsequently hired Keygent as a municipal advisor.

4. As a result of the conduct described herein, Keygent and Hsieh willfully² violated Section 15B(c)(1) of the Exchange Act and Rule G-17 of the Municipal Securities Rulemaking Board ("MSRB"), and Hsieh and Wang were a cause of Keygent's violations of Section 15B(c)(1) of the Exchange Act and MSRB Rule G-17. Furthermore, Keygent, Hsieh, and Wang were a cause of SBCI's and Bradley's violations of Sections 15B(a)(5) and 15B(c)(1) of the Exchange Act and MSRB Rule G-17.

Respondents

5. **Keygent LLC** is a California limited liability company located in El Segundo, California. Keygent is registered with the Commission and the MSRB as a municipal advisor.

¹ The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

² A willful violation of the securities laws means merely "that the person charged with the duty knows what he is doing." Wonsover v. SEC, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting Hughes v. SEC, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." Id. (quoting Gearhart & Otis, Inc. v. SEC, 348 F.2d 798, 803 (D.C. Cir. 1965)).

6. **Anthony R. Hsieh**, age 38, is a resident of Los Angeles, California. Hsieh has been employed by Keygent since 2008 and presently serves as Managing Director. Hsieh is listed on Keygent's Form MA-I as an associated person of Keygent.

7. **Chet Wang**, age 34, is a resident of Culver City, California. Wang has been employed by Keygent since 2008 and presently serves as Managing Director. Wang is listed on Keygent's Form MA-I as an associated person of Keygent.

Other Relevant Individuals and Entities

8. **School Business Consulting, Inc.** is a California corporation formed in 2010 and located in Fresno, California. SBCI provides consulting services to school districts throughout the state. SBCI served on Keygent's advisory board from September 2010 through June 2014. In February 2014 SBCI registered with the SEC as a municipal advisor and soliciting municipal advisor under the temporary registration rules but has not registered under the final registration rule, which was effective July 1, 2014, and has never registered with the MSRB.

9. **Terrance Bradley**, age 72, of Fresno, California, has been the President and sole shareholder of SBCI since its formation.

Facts

SBCI Served on Keygent's Advisory Board and Solicited New Clients for Keygent

10. Keygent is a registered municipal advisor whose advisory business focuses solely on advising school districts and community colleges that issue bonds in California. Two of Keygent's principals, Anthony Hsieh and Chet Wang, handle practically all of Keygent's municipal advisory services, pursue potential new clients, and maintain existing client relationships. Part of Keygent's strategy to find new advisory clients is to analyze outstanding bonds or other existing debt of school districts and make unsolicited pitches to the districts showing how they may save money by refinancing their debt.

11. SBCI's consulting work with school districts sometimes included assistance with finance and budgeting matters, which involved assisting clients with hiring financial professionals such as municipal advisors. Bradley was often involved in drafting the request for qualifications ("RFQ") document that districts send out in which they seek proposals from candidates for open positions. Bradley also drafted interview questions and helped the school districts to review proposals received from the candidates.

12. In September 2010 Keygent retained SBCI to serve on Keygent's Advisory Board, for which Keygent paid SBCI \$2,500 monthly. The Advisory Board contract stated that SBCI was to "advise senior management on strategy, new business development, public policy, and research." One main benefit to Keygent of this arrangement was to gain access to Bradley's contacts in California to pursue new municipal advisory clients. Hsieh and Wang provided Bradley with names of school districts that they identified as having refinancing opportunities

and asked Bradley to facilitate introductions. Bradley, in turn, contacted the school districts and provided recommendations of Keygent's services and suggested setting up meetings.

13. Among the school districts Bradley solicited on behalf of Keygent were many of SBCI's own school district clients. For some of these school districts, Hsieh and Wang sent pitch books to Bradley for review and consultation before they were sent to the school districts by Keygent. Bradley also sometimes separately recommended to his clients that they meet with Keygent to discuss Keygent's ideas for possible bond refinancing. Bradley verbally disclosed his relationship with Keygent to school district officials. Keygent's contracts with the school districts also disclosed that Bradley was on its Advisory Board but the districts did not receive the contracts until after the RFQ process was complete.

Keygent Improperly Received Confidential Information From Bradley

14. During the municipal advisor hiring process for five SBCI school district clients, Keygent improperly received confidential information from SBCI. California law does not mandate the use of a bidding process when school districts hire financial professionals but many choose to do so in order to interview multiple candidates and make the best hiring decision for the district. Bradley drafted the municipal advisor RFQ documents used by the five school districts to commence the hiring process. For each of those school districts, candidates for the municipal advisor position were expressly directed not to make contact with anyone at the district other than the single official specified in the RFQ. The purpose of this limitation was for the school districts to be able to control the information disseminated to the candidates and to make sure all competitors were on an even footing in the process.

15. Despite this instruction, Keygent received confidential information from Bradley, which could have given Keygent an advantage in the competitive hiring process. The following are examples:

- Bradley gave Hsieh and Wang advance copies of draft interview questions on several occasions, and Hsieh and Wang also provided input in the initial drafting of the questions on one occasion so they were aware going into the interview what could be asked;
- For one school district, Bradley gave Hsieh and Wang a draft of the district's RFQ document and then incorporated a change to the document suggested by Hsieh and Wang which was designed to require a known competitor to disclose in its proposal potentially negative information concerning a past legal issue;
- For two of these school districts, after they received the proposals from the municipal advisor candidates, including Keygent's proposal, Bradley shared information about competitors' proposals with Hsieh and Wang, including, in one instance, a chart with all of the other candidates' fee proposals and, in another instance, a copy of the entire proposal submitted by one of the candidates;
- Bradley discussed with Hsieh and Wang how to answer certain interview questions and suggested topics they could discuss at the interview to preempt other candidates' proposals.

16. None of the five school districts was aware that Bradley had shared this confidential information with Keygent, nor was Bradley authorized by the school districts to do so. Bradley did not share this information with any of the municipal advisor candidates except Keygent. Bradley recommended Keygent and each of the five school districts ultimately hired Keygent as municipal advisor after the interviews. The school districts intended to control the flow of information during the hiring process through an individual other than Bradley. Keygent, Hsieh, and Wang were aware that Bradley was providing them with information to which they would otherwise not be entitled.

Violations

17. Municipal advisors include financial advisors who assist municipal entities with bond offerings, reinvestment of bond proceeds and the structuring and pricing of related products. See Commission Report on the Municipal Securities Market (July 31, 2012) at 45, available at <http://sec.gov/news/studies/2012/munireport073112.pdf>. In 2010, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), which included provisions for the registration and regulation of municipal advisors. The adopting release for the registration rules notes that the municipal advisor registration requirements and regulatory standards were intended to mitigate some of the issues observed with the conduct of some municipal advisors, including undisclosed conflicts of interest and failure to place the duty of loyalty to their municipal entity clients ahead of their own interests. See Registration of Municipal Advisors, SEC Release No. 34-70462, 78 Fed. Reg. 67468, 67469 (September 20, 2013).

18. MSRB Rule G-17 states that, in the conduct of its municipal securities or municipal advisory activities, each broker, dealer, municipal securities dealer, and municipal advisor shall deal fairly with all persons and shall not engage in any deceptive, dishonest, or unfair practice. Negligence is sufficient to establish a violation of MSRB Rule G-17. See In the Matter of Merrill Lynch, Pierce, Fenner & Smith, Inc., Exchange Act Release No. 40352, 1998 WL 518489, at *13 (Aug. 24, 1998). Section 15B(c)(1) of the Exchange Act requires that municipal advisors shall not act in contravention to any MSRB rule in the provision of advice to or on behalf of a municipal entity, or in undertaking a solicitation of a municipal entity.

19. As a result of the conduct described above, Keygent and Hsieh did not deal fairly with the school districts and, therefore, willfully violated Section 15B(c)(1) of the Exchange Act and MSRB Rule G-17, and Hsieh and Wang were a cause of Keygent’s violation of MSRB Rule G-17 and Section 15B(c)(1) of the Exchange Act. Furthermore, SBCI and Bradley willfully breached their fiduciary duty set forth in Section 15B(c)(1) of the Exchange Act, willfully violated Section 15B(a)(5) of the Exchange Act which prohibits any fraudulent, deceptive, or manipulative act or practice while undertaking the solicitation of a municipal entity, and failed to deal fairly with the school districts in willful violation of MSRB Rule G-17 and Section 15B(c)(1) of the Exchange Act. Keygent, Hsieh, and Wang were a cause of SBCI’s and Bradley’s violations of Sections 15B(c)(1) and 15B(a)(5) of the Exchange Act, and MSRB Rule G-17.

Undertakings

Respondents undertake to:

20. Within ten (10) days of the entry of this Order, Keygent shall post prominently on its principal website a summary of this Order in a form and location acceptable to the Commission's staff, with a hyperlink to the entire Order. Keygent shall maintain the posting and hyperlink on Keygent's website for a period of twelve (12) months from the entry of this Order (the "Notice Period"). Within thirty (30) days of the entry of this Order Keygent shall provide a copy of its current Form MA, which has been amended to disclose the actions described in the Order (the "Amended Form MA"), and the Order, to each of Keygent's existing municipal advisory clients as of the entry of this Order, via mail, e-mail, or such other method as may be acceptable to the Commission's staff, together with a cover letter in a form acceptable to the Commission's staff. During the Notice Period Keygent shall also provide a copy of the Order, as well as a hyperlink to its Amended Form MA, to prospective clients in any responses submitted by Keygent to requests for proposal or requests for qualification, or in the absence of any such response, prior to Keygent entering into a contract to provide municipal advisory services. Notwithstanding any of the foregoing, Keygent is required to provide a copy of the Order and Amended Form MA (or hyperlink thereto) to a specific client or potential client only once during the Notice Period pursuant to the Order. Further, Keygent shall make reasonable efforts to obtain from existing clients, or prior to entering into a contract to provide municipal advisory services for prospective clients, written acknowledgment of receipt of the Order and associated documents (other than by automatic e-mail receipt) from an officer of each such existing or prospective municipal advisory client who Keygent reasonably believes has authority to bind that client, such as a school district superintendent.

21. During the Notice Period, should Hsieh or Wang become associated with a municipal advisor other than Keygent, he shall provide (or cause to be provided) a copy of his current Form MA-I, which has been amended to disclose the actions described in the Order (the "Amended Form MA-I"), and a copy of the Order, via mail, e-mail, or such other method as may be acceptable to the Commission's staff, together with a cover letter in a form acceptable to the Commission's staff, to (1) any existing client(s) of that municipal advisor for whom Hsieh or Wang provides advisory services, and (2) to prospective clients of that municipal advisor in any responses submitted to requests for proposal or requests for qualification, or in the absence of any such response, prior to the municipal advisor entering into a contract to provide municipal advisory services, for whom Hsieh or Wang are reasonably anticipated to provide advisory services. Notwithstanding any of the foregoing, Hsieh or Wang is required to provide a copy of the Order and Amended Form MA (or hyperlink thereto) to a specific client or potential client only once during the Notice Period pursuant to the Order. Further, Hsieh or Wang shall make reasonable efforts to obtain written acknowledgment of receipt of the Order and associated documents (other than by automatic e-mail receipt) from an officer of existing municipal advisory clients and each prospective municipal advisory client who Hsieh or Wang reasonably believes has authority to bind that client, such as a school district superintendent.

22. During the Notice Period, should Hsieh or Wang solicit business for a municipal advisor with which he is not associated, he shall, prior to that municipal advisor entering into a contract with the solicited entity, provide a copy of his Amended Form MA-I, and a copy of the Order, to each such potential client of the municipal advisor via mail, e-mail, or such other method as may be acceptable to the Commission's staff, together with a cover letter in a form acceptable to the Commission's staff. Notwithstanding any of the foregoing, Hsieh or Wang is required to provide a copy of the Order and Amended Form MA (or hyperlink thereto) to a specific client or potential client only once during the Notice Period pursuant to the Order. Further, Hsieh or Wang shall make reasonable efforts to obtain, prior to the solicited client entering into a contract for municipal advisory services with the municipal advisor for which Hsieh or Wang are soliciting, written acknowledgment of receipt of the Order and associated documents (other than by automatic e-mail receipt) from an officer of each such new or prospective municipal advisory client who Hsieh or Wang reasonably believes has authority to bind that client, such as a school district superintendent.

23. Respondents shall each certify, in writing, compliance with their respective undertaking(s) set forth above. The certification shall identify the undertaking(s), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission's staff may make reasonable requests for further evidence of compliance, and Respondents each agree to provide such evidence. The certification and supporting material shall be submitted to Monique Winkler, Assistant Regional Director, Securities and Exchange Commission, 44 Montgomery Street, Suite 2800, San Francisco, California 94104, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

IV.

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

Accordingly, pursuant to Sections 15B(c) and 21C of the Exchange Act as to Keygent, pursuant to Section 21C and Rule 15Bc4-1 of the Exchange Act as to Hsieh, and pursuant to Section 21C of the Exchange Act as to Wang, it is hereby ORDERED that:

A. Respondents shall cease and desist from committing or causing any violations and any future violations of Sections 15B(a)(5), and 15B(c)(1) of the Exchange Act, and MSRB Rule G-17.

B. Respondents Keygent and Hsieh are censured.

C. Keygent shall pay a civil money penalty in the amount of \$100,000, Hsieh shall pay a civil penalty in the amount of \$30,000, and Wang shall pay a civil money penalty in the amount of \$20,000 to the Securities and Exchange Commission, of which \$25,350 shall be transferred to the Municipal Securities Rulemaking Board in accordance with Section 15B(c)(9)(A) of the Exchange Act, and of which the remaining \$124,650 shall be transferred to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). Payment shall be made by Keygent in the following installments: \$50,000 due ten (10) days from

the date of the Order, and \$50,000 due twelve (12) months from the date of the Order. If any payment from Keygent is not made by the date the payment is required by this Order, the entire outstanding balance of its civil penalty, plus any additional interest accrued pursuant to 31 U.S.C. § 3717, shall be due and payable immediately, without further application. Payment shall be made by Hsieh in the following installments: \$15,000 due ten (10) days from the date of the Order, and \$15,000 due twelve (12) months from the date of the Order. If any payment from Hsieh is not made by the date the payment is required by this Order, the entire outstanding balance of his civil penalty, plus any additional interest accrued pursuant to 31 U.S.C. § 3717, shall be due and payable immediately, without further application. Payment shall be made by Wang in the following installments: \$10,000 due ten (10) days from the date of the Order, and \$10,000 due twelve (12) months from the date of the Order. If any payment from Wang is not made by the date the payment is required by this Order, the entire outstanding balance of his civil penalty, plus any additional interest accrued pursuant to 31 U.S.C. § 3717, shall be due and payable immediately, without further application. 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 Keygent, Hsieh, or Wang, respectively, as a Respondent 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 LeeAnn Ghazil Gaunt, Chief, Municipal Securities and Public Pensions Unit, Securities and Exchange Commission, 33 Arch Street, 23rd Floor, Boston, MA 02110-1424.

C. 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.

D. Respondents Keygent, Hsieh, and Wang shall comply with the undertakings enumerated in paragraphs 20 through 23 above.

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 Respondents Hsieh and Wang, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondents Hsieh and Wang 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 Respondents Hsieh and Wang 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