

ADMINISTRATIVE PROCEEDING
File No. 3-18125

Owners of Investment Advisory Firm Barred From Industry for Using Client Assets to Make Unauthorized Loans

Aug. 22, 2017 – The Securities and Exchange Commission today announced fraud charges against Gustavo A. Altuzarra, Christopher R. Chase, and three entities they controlled for making unauthorized loans and using fraudulent straw purchaser transactions to conceal those loans.

An SEC investigation found that Vertical Recovery Management (VRM) and Vertical Capital Asset Management (VCAM), a Commission-registered investment adviser, made unauthorized loans from funds they managed to Vertical Fund Group (VFG). The unauthorized loans were contrary to the disclosed use of proceeds in the funds' offering materials. Later, Altuzarra and Chase, through the entities they controlled, engaged in two fraudulent transactions intended to conceal the unauthorized loans. To facilitate these transactions, VRM took assets from the two funds it managed and transferred them to a third-party straw purchaser who, in transactions prearranged by Altuzarra and Chase, sold them to the registered closed-end fund advised by VCAM. VRM then loaned the proceeds from these sales to VFG, and VFG used the proceeds to repay a portion of the unauthorized loans made by the fund advised by VCAM. These subsequent transactions were not disclosed to investors, potential investors, or to the board of the closed-end fund VCAM advised.

The SEC's order finds that: (1) Altuzarra, Chase, and VRM willfully violated Section 17(a) of the Securities Act of 1933 (Securities Act) and Section 10(b) of the Securities Exchange Act of 1934 (Exchange Act) and Rule 10b-5 thereunder; (2) VCAM willfully violated Section 17(a)(1) and 17(a)(3) of the Securities Act and Section 10(b) of the Exchange Act and Rules 10b-5(a) and 10b-5(c) thereunder; (3) VCAM willfully violated Sections 206(1), 206(2), and 206(4) of the Investment Advisers Act of 1940 and Rules 206(4)-7 and 206(4)-8 thereunder, and that Altuzarra and Chase aided and abetted and caused each of VCAM's violations of that Act; (4) Altuzarra, Chase, and VCAM willfully aided and abetted and caused the closed-end fund's uncharged violation of Section 34(b) of the Investment Company Act of 1940 (Investment Company Act); (5) Altuzarra and Chase willfully aided and abetted and caused the VRM-managed funds' uncharged violation of Section 17(a)(1) of the Investment Company Act; and (6) VFG willfully violated, and Altuzarra and Chase willfully aided and abetted and caused VFG's violation of, Section 17(a)(3) of the Investment Company Act. Without admitting or denying the findings, Altuzarra, Chase, VCAM, VFG, and VRM agreed to pay, jointly and severally, a total of \$9,034,957, comprised of \$6,272,549 in disgorgement, \$362,408 in prejudgment interest, and a \$2,400,000 civil penalty. The order also bars Altuzarra and Chase from participating in the securities industry or serving as officers and directors, and revokes VCAM's investment adviser registration.

The SEC's investigation was conducted by Asset Management Unit Senior Counsel D. Corey Lawson and supervised by Assistant Director Adam S. Aderton.

See also: [Order](#)