

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 80263 / March 16, 2017**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 4668 / March 16, 2017**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-17883**

**In the Matter of**

**WARREN D. NADEL,**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
PROCEEDINGS PURSUANT TO SECTION  
15(b) OF THE SECURITIES EXCHANGE  
ACT OF 1934 AND SECTION 203(f) OF THE  
INVESTMENT ADVISERS ACT OF 1940  
AND NOTICE OF HEARING**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Warren D. Nadel (“Respondent” or “Nadel”).

**II.**

After an investigation, the Division of Enforcement alleges that:

**A. RESPONDENT**

1. Nadel, age 66, is a resident of Upper Brookville, New York and from at least the beginning of 2007 through 2009 (the “Relevant Period”) controlled a broker-dealer then registered with FINRA, Warren D. Nadel & Co. (“WDNC”), and an investment adviser then

registered with the Commission, Registered Investment Advisers, LLC (“RIA”). During the Relevant Period, Nadel was an investment adviser, held Series 1, 3, 7, 24 and 63 licenses, and was at all relevant times the president, chief executive officer and chief compliance officer of WDNC, and the president of RIA. The registrations of both WDNC and RIA were terminated in 2011.

## B. ENTRY OF THE INJUNCTIONS

2. On January 20, 2017 a final judgment was entered against Nadel, permanently enjoining him (1) from future violations of Section 17(a) of the Securities Act of 1933 (“Securities Act”), Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1), 206(2) and 206(3) of the Advisers Act, and (2) from aiding and abetting any violations of Section 10(b) of the Exchange Act and Rule 10b-10 thereunder, in the civil action entitled Securities and Exchange Commission v. Warren D. Nadel, et al., Civil Action Number 2:11-CV-0215, in the United States District Court for the Eastern District of New York.

3. The Commission’s complaint alleged that during the Relevant Period, Nadel fraudulently induced clients of RIA to invest tens of millions of dollars in what he falsely represented as a liquid, cash management investment program in which RIA clients would buy and sell preferred utility securities in the open market and hold them for short periods of time in order to generate either dividend income or capital appreciation (the “Strategy”). In reality, however, and contrary to Nadel’s representations to clients, the Complaint alleged, the vast majority of the transactions in the Strategy consisted of cross-trades Nadel made between the advisory client accounts he controlled, at inflated prices Nadel made up himself. The Complaint alleged that through this fraudulent conduct, Nadel created the false impression that there was a liquid market for these securities and that the market prices for the securities were consistent with the inflated values that Nadel reported to RIA clients. The Complaint also alleged that in addition to the foregoing misrepresentations, Nadel also induced investors to join and stay in the Strategy by deliberately and materially overstating the amount of assets that RIA had under management. Through this fraudulent conduct, the Complaint alleged, Nadel obtained more than \$8 million in commissions and advisory fees in the Relevant Period alone – and his clients, meanwhile, suffered substantial losses on what Nadel had falsely represented to be a liquid cash management program.

4. On March 31, 2015, the Court granted the Commission’s motion for partial summary judgment against Nadel, WDNC and RIA on its claims that they violated Section 10(b) of the Exchange Act and Rules 10b-5 and 10b-10 thereunder, Section 17(a) of the Securities Act, and Sections 206(1), 206(2) and 206(3) of the Advisers Act, and referred the question of remedies to the Magistrate Judge. On February 11, 2016, the Magistrate Judge, after having held a four-day hearing in July 2015, issued a Report and Recommendation recommending that (1) the Court order permanent injunctive relief against Nadel, WDNC and RIA; (2) the Court award disgorgement against them in the amount of \$10,776,687.62, jointly and severally; (3) the the Court impose a third-tier civil penalty in the amount of \$1,000,000 against Nadel; and (4) the Commission submit a revised prejudgment interest calculation. On September 9, 2016, the Court, over Defendants’ objections, adopted the Magistrate Judge’s Report and Recommendation. After approving the Commission’s revised prejudgment interest calculation on September 23, 2016, the Court entered final judgments against Nadel, WDNC and RIA on January 20, 2017. In addition to the permanent

injunctive relief described above in paragraph 2, *supra*, the Court also ordered: (1) a third-tier civil monetary penalty in the amount of \$1,000,000 against Nadel; and (2) disgorgement against Nadel, WDNC and RIA, jointly and severally, in the amount of \$10,776,687.62, plus prejudgment interest in the amount of \$2,293,701.57, for a total of \$13,070,389.19.

### 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 proceedings be instituted to determine:

- A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations;
- B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act; and
- C. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers 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 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 Respondent 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 Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent 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 Respondent as provided for in the Commission's Rules of Practice.

IT IS FURTHER ORDERED that, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice, 17 C.F.R. § 201.360(a)(2), the Administrative Law Judge shall issue an initial decision no later than 75 days from the occurrence of one of the following events: (A) The completion of post-hearing briefing in a proceeding where the hearing has been completed; (B) Where the hearing officer has determined that no hearing is necessary, upon completion of briefing on a

motion pursuant to Rule 250 of the Commission's Rules of Practice, 17 C.F.R. § 201.250; or (C) The determination by the hearing officer that a party is deemed to be in default under Rule 155 of the Commission's Rules of Practice, 17 C.F.R. § 201.155 and no hearing is necessary.

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.

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

Brent J. Fields  
Secretary