

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 4857 / February 22, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18377

In the Matter of

**COMMONWEALTH
ADVISORS, INC., and
WALTER A. MORALES,**

Respondents.

**ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTIONS 203(e) and
203(f) OF THE INVESTMENT ADVISERS
ACT OF 1940, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS**

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 Sections 203(e) and (f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Commonwealth Advisors, Inc. (“Commonwealth”) and Walter A. Morales (“Morales”) (collectively “Respondents”).

II.

In anticipation of the institution of 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 them and the subject matter of these proceedings and the findings contained in paragraphs III.2 and III.3, below, which are admitted, Respondents consent to the entry of this Order Instituting Administrative Proceedings Pursuant to Sections 203(e) and 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

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

1. Morales was the founder, president, chief investment officer, and over 50% shareholder of Commonwealth, an investment adviser registered with the Commission since 1991. Morales, 55 years old, is a resident of Baton Rouge, Louisiana.

2. On February 15, 2018, a final judgment was entered by consent against Morales, permanently enjoining him from future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1), 206(2), and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder, and from aiding and abetting violations of Section 207 of the Advisers Act and Rules 206(4)-2 and 206(4)-7 thereunder in the civil action entitled Securities and Exchange Commission v. Commonwealth Advisors, Inc., and Walter A. Morales, Civil Action Number 12-CV-00700, in the United States District Court for the Middle District of Louisiana.

3. On February 15, 2018, a final judgment was entered by consent against Commonwealth, permanently enjoining it from future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 204, 206(1), 206(2), 206(4), and 207 of the Advisers Act and Rules 204-2, 206(4)-2, 206(4)-7, and 206(4)-8 thereunder, in the civil action entitled Securities and Exchange Commission v. Commonwealth Advisors, Inc., and Walter A. Morales, Civil Action Number 12-CV-00700, in the United States District Court for the Middle District of Louisiana.

4. The Commission's complaint alleged that, from late 2007 through at least summer 2008 (the "Period"), Morales and Commonwealth, a Louisiana investment adviser, engaged in a scheme to hide losses in certain hedge funds. The complaint alleged these losses were realized, in part, from significant investments that the funds held in residential mortgage-backed securities that had deteriorated in value during the downturn in the residential housing market before and during the Period. The complaint alleged that, during the Period, Respondents executed improper trades across the funds that benefitted certain clients at the expense of other clients. The complaint further alleged that, during the Period, Respondents made materially false representations to investors about the amount and value of, as well as the process for valuing, certain mortgage-backed assets held in the funds and created two misleading internal meeting minutes.

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, it is hereby ORDERED pursuant to Section 203(f) of the Advisers Act, that Respondent Morales be, and hereby is barred from association with any investment adviser with the right to reapply for reentry after five years to the appropriate self-regulatory organization, or if there is none, to the Commission.

It is hereby further ORDERED pursuant to Section 203(e) of the Advisers Act, that Respondent Commonwealth's investment adviser registration is revoked.

Any reapplication for association by Respondents 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.

By the Commission.

Brent J. Fields
Secretary