On January 24, 2020, the Commission issued an Amended Order Instituting Cease-and-Desist Proceedings Pursuant to Section 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing a Cease-and-Desist Order (the “Amended Order”)

The Commission ordered Cornide to pay disgorgement of $2,786,925 plus accrued interest of $274,107.19, of which $655,350 was previously paid to PSPC; and Falcon to pay disgorgement of $4,390,278 plus accrued interest of $414,630.27, of which $920,349.82 was previously paid to PSPC. The remaining disgorgement and accrued interest was ordered to be paid in four installments, with such payments to be completed within 360 days of the entry of the Order. The Commission also ordered the Respondents to each pay a $100,000 civil money penalty.

1 See Advisers Act Rel. No. 5366A (Jan. 24, 2020).
penalty to the Commission, and created a Fair Fund, pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, so the penalties could be included with the disgorgement and accrued interest to be collected for distribution (the “Fair Fund”).

The Respondents paid the $200,000 in civil penalties, as ordered, into the Fair Fund, and any additional payments received pursuant to the Amended Order will be added to the Fair Fund for distribution.

The Commission is in receipt of the first payment of $800,000, as detailed in the Amended Order. The Commission staff shall disburse said funds from the Fair Fund to PSPC.

Upon receipt of additional payments, pursuant to the Amended Order, the Commission staff will seek a Commission order to distribute such amounts received to PSPC within approximately 30 days of receipt of said payments. The result, after the final disbursement from the Fair Fund, including the funds already credited and received by PSPC (detailed in the Amended Order), shall be the return to PSPC of the $6.8 million, plus interest, Cornide and Falcon loaned to themselves.

Commission staff will seek the appointment of a tax administrator for the Fair Fund as it constitutes a payment from a qualified settlement fund (“QSF”) under Section of 468B(g) of the Internal Revenue Code (IRC), 26 U.S.C. § 468B(g), and related regulations, 26 C.F.R. §§ 1.468B-1 through 1.468B-5. Taxes, if any, and related administrative expenses shall be paid from the Fair Fund. After the final distribution of funds and all taxes and administrative expenses are paid, the Commission staff will seek a Commission order to transfer the remaining funds, if any, to the general fund of the United States Treasury subject to Section 21F(g)(3) of the Securities Exchange Act of 1934 (“Exchange Act”).

Accordingly, it is hereby ORDERED that:

A. The Commission staff shall seek appointment of a tax administrator to, among other things, comply with tax-related obligations of the QSF and all taxes and administrative expenses shall be paid from the Fair Fund; and

B. The Commission staff shall disburse $800,000 from the Fair Fund to PSPC, so those funds may be placed into PSPC’s reserve accounts.

By the Commission.

Vanessa A. Countryman
Secretary