

MEMO# 3099

September 18, 1991

DISTRICT COURT AND SEC ORDERS ISSUED AGAINST THE INVESTMENT ADVISER TO A FUND THAT INVESTED IN MUNICIPAL LEASE SECURITIES

September 18, 1991 TO: SEC RULES MEMBERS NO. 47-91 UNIT INVESTMENT TRUST
MEMBERS NO. 40-91 RE: DISTRICT COURT AND SEC ORDERS ISSUED AGAINST THE
INVESTMENT ADVISER TO A FUND THAT INVESTED IN MUNICIPAL LEASE SECURITIES

As we previously informed you, the SEC filed a complaint in the U.S. District Court for the Northern District of Illinois against a mutual fund that invested primarily in municipal lease obligations, its adviser, its underwriter and the president of the adviser and underwriter, who was also a director of the fund, alleging violations of the Securities Act and the Investment Company Act. (See Memorandum to SEC Rules Members No. 7-90 and Unit Investment Trust Members No. 8-90, dated January 29, 1990). Specifically, the SEC alleged that, among other things, the fund, with the assistance of the other defendants, sold and redeemed shares of the fund at prices that were not based on the calculated net asset value of those shares from at least June 1989 through December 1989. The SEC also charged that the defendants falsely stated in documents filed with the SEC that the prices of the shares were based on their calculated net asset value. On December 18, 1989, the court appointed a receiver for the fund. The court recently entered Orders of Permanent Injunction against the fund's adviser, its underwriter and the president of the adviser and underwriter from further violations of those provisions of the Investment Company Act and the Securities Act which the SEC alleged had been violated. Without admitting or denying the facts alleged in the SEC's complaint, the defendants consented to the entry of the Orders. A copy of the SEC's release announcing the entry of the Orders is attached as Appendix A. After the court entered the Orders of Permanent Injunction, the SEC instituted proceedings and imposed remedial sanctions against the fund's adviser and the adviser's president. As set forth in the attached Order (see Appendix B), the SEC revoked the adviser's registration and barred the president of the adviser from association with any broker, dealer, investment adviser or investment company, except that he may associate with a broker-dealer in a supervised, non-supervisory, non-proprietary capacity. Amy B.R. Lancellotta Assistant General Counsel Attachments

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