

**MEMO# 4570**

March 9, 1993

## **SEC SANCTIONS FOR FRAUD IN CONNECTION WITH ADVISER'S ADVERTISEMENTS**

March 9, 1993 TO: INVESTMENT ADVISER MEMBERS NO. 14-93 INVESTMENT ADVISER  
ASSOCIATE MEMBERS NO. 10-93 COMPLIANCE COMMITTEE NO. 5-93 RE: SEC SANCTIONS  
FOR FRAUD IN CONNECTION WITH ADVISER'S ADVERTISEMENTS

\_\_\_\_\_ The Securities and Exchange  
Commission recently sanctioned a registered investment adviser and its president for  
violation of the antifraud provisions of the Investment Advisers Act in connection with the  
adviser's advertisements. The Commission found that the adviser and its president violated  
Section 206(4) of the Advisers Act and Rule 206(4)-1 thereunder by furnishing publishing  
companies with information that materially mistated the number of the adviser's clients  
and the amount of client assets that it had under management. While the adviser stated  
that at various times it had from \$1.4 billion to \$2.8 billion under management and from  
178 to 193 clients, the Commission found that during the same period it had only between  
two and four clients, with a total of no more than 7 client accounts, and only between  
\$375,000 and \$1.7 million under management. Without admitting or denying the  
allegations, the adviser and the president consented to cease and desist from further  
violations of Section 206(4) and Rule 206(4)-1 and undertook to notify each of the  
publishers concerning the true and accurate number of the adviser's clients, the number of  
client accounts, and the amounts of money under management. Attached is a copy of the  
Commission's order. Thomas M. Selman Assistant Counsel Attachment