

**MEMO# 9259**

September 23, 1997

## **SEC SANCTIONS TRANSFER AGENT AND PRINCIPAL FOR SECURITIES LAW VIOLATIONS**

\* In the Matter of Frank P. Meadows, III, and The Nottingham Company, Inc. d/b/a The Nottingham Management Company, Inc., d/b/a TNC, Inc., d/b/a F.P. Meadows & Company, and d/b/a The Nottingham Company, Release Nos. 34-39034, IC-22813, IA-1660, Admin. Proc. File No. 3-9395 (Sept. 9, 1997). [9259] September 23, 1997 TO: ACCOUNTING/TREASURERS COMMITTEE No. 32-97 COMPLIANCE ADVISORY COMMITTEE No. 26-97 SEC RULES MEMBERS No. 72-97 TRANSFER AGENT ADVISORY COMMITTEE No. 48-97 RE: SEC SANCTIONS TRANSFER AGENT AND PRINCIPAL FOR SECURITIES LAW VIOLATIONS

The Securities and Exchange Commission recently sanctioned a registered transfer agent and its principal for violating various provisions of the Investment Company Act of 1940. The transfer agent was, at all relevant times, engaged in the business of providing administrative services, including recordkeeping services, to registered investment companies, including those involved in the proceeding. The principal was, at all relevant times, the president and managing director of the transfer agent, a controlling person of the transfer agents parent company and its pension plan, and an officer and trustee of the investment companies involved in the proceeding. The Commissions order is summarized below, a copy of which is attached.\* According to the order, the transfer agent falsified a funds accounting records in connection with money it agreed to reimburse the fund for losses resulting from sales and redemptions of fund shares that, because of accounting errors made by transfer agent staff personnel, were based on incorrect net asset value calculations. In addition, the principal falsified a funds accounting records in connection with the transfer of money from one fund to pay the expenses of three other funds. Moreover, the principal, on behalf of a pension plan that he controlled, and of which he was a beneficiary, falsified the accounting records of five funds in connection with the pension plans failure to timely pay for shares acquired in each of the funds. The Commission found, among other things, that the principal and the transfer agent violated Sections 34(a) and (b) of the Investment Company Act by destroying and falsifying books and records required to be maintained by Section 31(a) of the Investment Company Act. In addition, the Commission found that the principal violated Section 37 of the Investment Company Act by unlawfully converting fund assets for its own use, and that the 2transfer agent violated Section 17(a)(3) of the Investment Company Act by borrowing money and other property from a fund while acting as principal. Moreover, the Commission found that the principal and the transfer agent aided and abetted various provisions of the Investment Company Act, including, among others, Section 22(g), prohibiting the issuance of securities for services and for property other than cash and securities; Section 17(a)(3), prohibiting an

affiliated person of a fund from borrowing money and other property; and Section 31(a) and Rule 31a-2 thereunder, requiring the preservation of books and records required to be made pursuant to Rule 31a-1. Without admitting or denying the Commissions findings, the transfer agent and the principal agreed to the following sanctions. The transfer agent agreed to cease and desist from committing or causing any present and future violations of Sections 17(a)(3), 34(a), and 34(b) of the Investment Company Act, and from causing any present and future violations of Sections 22(g), 31(a), and 31(b) of the Investment Company Act, and Rule 31a-2 thereunder, and pay a civil money penalty of \$15,000. The principal agreed to cease and desist from committing or causing any present and future violations of Sections 17(a)(3), 34(a), 34(b), and 37 of the Investment Company Act, and from causing any present and future violations of Sections 22(g), 31(a), and 31(b) of the Investment Company Act, and Rule 31a-2 thereunder, and pay a civil money penalty of \$35,000. Furthermore, the Commission barred the principal from association with any investment company, investment adviser, broker, dealer, municipal securities dealer, or transfer agent, with the right to reapply for reinstatement after eighteen months. Barry E. Simmons Assistant Counsel Attachment (in .pdf format) Note: Not all recipients of this memo will receive an attachment. If you wish to obtain a copy of the attachment referred to in this memo, please call the Institute's Information Resource Center at (202)326-8304, and ask for this memo's attachment number: 9259.

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