

**MEMO# 1023**

March 8, 1989

# **ADVISER SANCTIONED FOR FAILURE TO DISCLOSE THAT IT RECEIVED COMMISSIONS AND 12B-1 DISTRIBUTION FEES**

March 8, 1989 TO: INVESTMENT ADVISER ASSOCIATE MEMBERS NO. 19-89 INVESTMENT ADVISER MEMBERS NO. 20-89 RE: ADVISER SANCTIONED FOR FAILURE TO DISCLOSE THAT IT RECEIVED COMMISSIONS AND 12b-1 DISTRIBUTION FEES

\_\_\_\_\_ In the attached SEC administrative proceeding, the SEC sanctioned an investment adviser for, among other things, failure to disclose under Part II, Item 13A that it received both commissions and 12b-1 distribution fees in connection with providing advice to clients. Item 13A asks whether the investment adviser or a related person has any arrangement, oral or in writing, where it is paid cash by or receives some economic benefit (including commissions, equipment, or non-research services) from a non-client in connection with giving advice to clients. The adviser was sanctioned for violations of a host of Advisers Act provisions and rules including failure to comply with rules for advisers which maintain custody of client funds and securities, failure to maintain appropriate books and records, failure to offer to provide its "brochure" to each client or prospective client on an annual basis, failure to provide that no assignment of the investment advisory contract could be made without the consent of the other party to the contract, and failure to amend its registration under the Advisers Act to disclose certain items. Robert L. Bunnell, Jr. Assistant General Counsel  
Attachment