

MEMO# 1684

January 29, 1990

SEC FILES COMPLAINT AGAINST A MUTUAL FUND AND AFFILIATED PARTIES

January 29, 1990 TO: SEC RULES MEMBERS NO. 7-90 UNIT INVESTMENT TRUST MEMBERS
NO. 8-90 RE: SEC FILES COMPLAINT AGAINST A MUTUAL FUND AND AFFILIATED PARTIES

The Securities and Exchange Commission filed a complaint in the United District Court for the Northern District of Illinois against a mutual fund, its adviser, its underwriter and the president of the adviser and underwriter alleging violations of Sections 17(a)(2) and (3) of the Securities Act of 1933 and Sections 22(c), 34(b), 31(a), 17(f) and 30(a), (b) and (d) of the Investment Company Act of 1940. As stated in the attached release, the Commission alleged in its complaint that the fund, with the assistance of the other defendants, sold and redeemed shares of the fund at prices which were not based on the calculated net asset value of those shares. The complaint also charges that defendants falsely stated in documents filed with the Commission that the prices of the shares were based on their calculated net asset value. Moreover, the complaint states that some or all of the defendants failed to keep current certain required books and records, failed to follow required procedures for maintaining the fund's assets and failed to file certain required reports with the Commission. As we previously informed you, in November the Commission suspended redemption of the fund's shares. (See Memorandum to SEC Rules Members No. 67-90 and Unit Investment Trust Members No. 66-90, dated December 8, 1990.) That order expired on December 15, 1989. We will keep you informed of further developments. Amy B. Rosenblum Assistant General Counsel Attachment

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