

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 5054 / September 28, 2018

INVESTMENT COMPANY ACT OF 1940
Release No. 33259 / September 28, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18855

In the Matter of

**LENDINGCLUB ASSET
MANAGEMENT, LLC, f/k/a
LC ADVISORS, LLC,**

RENAUD LAPLANCHE,

and

CARRIE DOLAN,

Respondents.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS
PURSUANT TO SECTIONS 203(e), 203(f),
AND 203(k) OF THE INVESTMENT
ADVISERS ACT OF 1940 AND SECTION
9(b) OF THE INVESTMENT COMPANY
ACT OF 1940, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS AND
A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 203(e), 203(f), and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) and Section 9(b) of the Investment Company Act of 1940, against LendingClub Asset Management, LLC, formerly known as LC Advisors, LLC (“LCA”), Renaud Laplanche (“Laplanche”), and Carrie Dolan (“Dolan”) (collectively, “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, and as to Respondents Laplanche and Dolan except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(e), 203(f), and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondents’ Offers, the Commission finds¹ that:

Summary

1. LCA is a registered investment adviser that provides investment advisory services to several private funds that purchase loan interests offered by LendingClub Corporation (“LendingClub”), a publicly-traded online marketplace lending company. From approximately December 2015 through April 2016 (the “relevant period”), LCA, through its president, Renaud Laplanche, caused one of the private funds it managed, the Broad Based Consumer Credit (Q) Fund (“BBFQ”), to purchase interests in certain loans that were at risk of expiring unfunded on the LendingClub platform (which would have deprived LendingClub of revenue it could otherwise earn). LCA caused BBFQ to purchase these interests to benefit LendingClub, not BBFQ, in breach of LCA’s fiduciary duty. Moreover, these purchases were inconsistent with the loan allocation procedures LCA detailed in its Form ADV and in LCA’s private placement memorandum for BBFQ.

2. During the same period, Respondents improperly adjusted monthly returns for BBFQ and other LCA-managed funds to improve reported returns.

3. The Commission considered the extensive remediation and cooperation efforts of LCA and LendingClub when determining to accept LCA’s Offer of Settlement (“LCA’s Offer”), which included providing compensation to fund investors and significantly modifying its management structure to provide greater independence from LendingClub.

¹ The findings herein are made pursuant to Respondents’ Offers and are not binding on any other person or entity in this or any other proceeding.

Respondents

4. **LendingClub Asset Management, LLC, f/k/a LC Advisors, LLC**, is a California limited liability company based in San Francisco, California, and has been registered with the Commission as an investment adviser since 2010. LCA provides advisory services to privately offered funds managed by LCA that purchase interests in loans originated through LendingClub. During the relevant period, LendingClub wholly owned and controlled LCA through an Investment Policy Committee (“IPC”) whose three members included Renaud Laplanche, LendingClub’s then-chief executive officer (“CEO”), Carrie Dolan, LendingClub’s then-chief financial officer (“CFO”), and LendingClub’s then-general counsel. According to its Form ADV filed March 30, 2016, LCA had assets under management of approximately \$1.3 billion at that time. In 2017, LCA closed its privately offered funds, started two new private funds, and changed its name to LendingClub Asset Management, LLC.

5. **Renaud Laplanche**, age 47, is a resident of San Francisco, California. Laplanche founded LendingClub and was its CEO until May 2016. Laplanche was also the President of LCA and served on LCA’s IPC.

6. **Carrie Dolan**, age 53, is a resident of Orinda, California. Dolan served as LendingClub’s CFO from August 2010 until August 2016 and then continued as an advisor to LendingClub through December 2016. Dolan was also the CFO of LCA and served on LCA’s IPC.

Background

7. LendingClub, LCA’s parent company, makes money by offering a platform to match individual borrowers seeking consumer credit loans with investors who want to purchase securities backed by those loans. LendingClub offers whole and fractional interests in these loans to retail and institutional investors, and loans are originated by a third-party bank once all interests in a loan are sold to investors. LendingClub generates revenue from origination fees charged to borrowers and servicing fees charged to investors on the platform. LCA generates revenue from management fees charged to the LCA funds. It is important for LendingClub to promptly match borrowers with investors both to generate revenue for LendingClub from loan originations as well as to enable LendingClub to compete with other marketplace lenders trying to win the business of borrowers and investors. Accordingly, LendingClub’s profitability is tied to the volume of loans listed on its platform that it is able to match with investor demand.

8. LCA advised several private funds that purchased interests in loans listed for sale on the LendingClub platform. LCA marketed its services as an investment adviser that would diversify the holdings of the private funds it managed across numerous LendingClub loans. Each fund LCA advised had a different strategy with respect to risk, but all were formed to invest exclusively in LendingClub loans. LCA owed the funds a fiduciary duty to act in their best interests.

9. Respondents all acted as investment advisers to the funds they managed. LCA managed the funds through its IPC, and Laplanche and Dolan were two of the IPC’s three members during the relevant period. LCA’s Form ADV Part 2A Brochures stated that the

individual members of the IPC “provide in-depth investment, operational and compliance expertise that helps ensure that clients’ assets are properly managed given their stated investment goals.”

10. When the funds were formed beginning in 2010, and for several years thereafter, the demand for interests in LendingClub loans, which were generally profitable, significantly exceeded LendingClub’s supply. However, returns on LendingClub loans began to decline beginning in late 2015, putting pressure on the profitability of the funds (which were invested in LendingClub loans) and on LCA’s ability to attract new investors and retain existing investors. LCA’s ability to attract and retain investors also was important for LendingClub because the more assets LCA had to invest the more interests in loans it could purchase on the LendingClub platform.

LCA’s Purchase of Interests in Loans that were at Risk of Expiring on the LendingClub Platform

A. LCA’s Loan Allocation and Conflict of Interest Disclosures

11. From the time LCA formed the private funds, LCA identified and disclosed, in private placement memoranda and in LCA’s annual amendments to its Form ADV Part 2A Brochure (LCA’s “Brochure”), potential conflicts of interest that might arise from its relationship with LendingClub. LCA disclosed that LendingClub personnel would manage the IPC and that LCA, given its relationship to LendingClub, might face conflicts when selecting loans for investment and competing with others on the LendingClub platform.

12. LCA told investors that LendingClub would address these potential conflicts by establishing “policies and procedures regarding the prioritization of individual loan selections” and implementing a detailed system for allocating available loans on each trading day. LCA also told investors and prospective investors that, through implementing this system, LendingClub sought “to ensure access to fractional asset inventory among all marketplace participants without any one marketplace participant or type of marketplace participant being materially disadvantaged[.]”

13. In its Brochures, LCA also told investors and prospective investors that it had created and maintained an “ethical wall between the two entities, whereby the operations of [LCA] are separate and distinct from those of Lending Club[.]” though it would have “dual employees” for the two entities. LCA further told investors that LCA’s Code of Ethics required employees to place the interests of the funds over their own or LCA’s interests.

B. LCA, Through Laplanche, Caused BBFQ to Purchase Interests in Loans That Were at Risk of Expiring on the LendingClub Platform

14. In BBFQ’s private placement memorandum, LCA set forth credit grade and loan term (36 month or 60 month) targets and limits for the fund’s holdings. These targets and limits were designed to ensure investors that BBFQ would be invested in a broad mix of the loans available on the LendingClub platform, including a substantial share of 36 month loans, which

due to their shorter term had less duration risk. However, in early 2013, the available inventory on the LendingClub platform had changed from what it had been when BBFQ was first formed and this and other factors made it difficult for BBFQ to obtain enough interests in 36 month loans. In response, BBFQ used available cash to purchase more interests in 60 month loans in order to avoid holding excess cash. As a result, BBFQ's holdings in 36 month loans fell short of the minimum limit beginning in March 2013, and BBFQ exceeded the upper limit for holdings in 60 month loans beginning in October 2013. The fund holdings of 36 and 60 month loans were disclosed to investors in monthly statements.

15. LCA's IPC, led by Laplanche, was focused on the loan allocation problems within BBFQ and other funds and consistently directed traders to move back toward compliance with the allocation limits from the time the allocation limits were first breached through the end of 2015. Laplanche and Dolan were two of the three members of the IPC during this period. The IPC also considered and implemented other options to address the underlying problem – a lack of available interests in 36 month loans for the funds to purchase.

16. In late 2015, two major institutional investors that had provided significant demand for 60 month loans on the LendingClub platform stopped their purchases. As a result, by December 2015, LendingClub faced the prospect of not being able to fund a large number of 60 month loans. If these loans were not funded, they would expire on LendingClub's platform and the loan requests would be denied (thus making it more difficult for LendingClub to achieve its financial targets and potentially driving borrowers to competitors). Accordingly, it was important for LendingClub to find investors for the loans listed on its platform.

17. In order to ensure these loan interests were purchased, LCA caused BBFQ to exclusively purchase interests in 60 month loans, without regard to the 36 month loan interests that were available and that BBFQ could have purchased under its disclosed allocation procedures. LCA, under Laplanche's leadership, directed these actions despite Laplanche's and others' knowledge of BBFQ's ongoing overconcentration problems and consistent efforts to address them.

18. All three members of the IPC, as well as other LendingClub personnel, were present at a February 4, 2016, IPC meeting that was held to discuss the issue. An operations employee presented information showing that BBFQ had been purchasing exclusively 60 month loan interests since January 2016, pushing the fund further out of compliance with the disclosed allocation targets and limits and making it more difficult to trade back into compliance. LCA's Secretary (who was also the general counsel of LendingClub) objected, said that the purchases should not have happened, and raised the issue of whether these purchases violated fiduciary duties owed to the funds. Notwithstanding the views expressed by LCA's Secretary, Laplanche did not instruct the purchases to stop. Because the IPC historically made decisions by consensus, the other members of the IPC were unaware of any procedure or mechanism in place to stop the practice by forcing a vote on this decision.

19. Following the February 4, 2016 IPC meeting, BBFQ continued to purchase interests in unfunded 60 month loans rather than 36 month loans. In early March 2016, certain LCA personnel understood that Laplanche wished to continue purchasing interests in 60 month

loans to keep those loans from expiring, and BBFQ did so until late March 2016. As a result of its investments made in the first quarter of 2016, BBFQ moved further out of compliance with its disclosed allocation targets and limits.

20. LCA did not identify for BBFQ's investors or prospective investors that its reasons for purchasing the 60-month loans included a desire to purchase interests in loans that were at risk of expiring, which constituted a conflict of interest that was material to investors. LCA, through Laplanche, caused BBFQ to purchase interests in expiring 60 month loans to further LendingClub's interests in finding investors for those loans, which was contrary to fiduciary duties owed by LCA and Laplanche to the fund.

21. LCA's misuse of BBFQ contravened the allocation procedures and disclosures about conflicts of interest set forth in LCA's Brochures and in BBFQ's private placement memorandum, which were provided to investors. LCA did not revise these documents to disclose its new use of fund assets to assist LendingClub, and it continued to include its misleading disclosures in its Brochure amendment filed in March 2016.

Respondents Made Improper Upward Adjustments to Fund Returns

A. LCA's Monthly Valuation Process

22. LCA published fund returns for investors in monthly reports. When calculating these returns, LCA valued the assets of the six funds it managed using a discounted cash flow model that attempted to predict the future performance of the loans discounted to present value. LCA disclosed to investors that the funds it managed were invested in assets valued using Level 3 inputs and that LCA would periodically determine a fair market value. Financial Accounting Standards Board Accounting Standards Codification Topic 820 ("ASC 820") defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." ASC 820's framework for measuring fair value establishes a three-level fair value hierarchy based on the quality of inputs used to value an asset or a liability. The LCA funds were invested solely in Level 3 assets; such assets lack observable market inputs and, therefore, are valued based on management estimates or pricing models.

23. After running the model, the LCA finance team, supervised by Dolan, made management adjustments to the model's output, the purpose of which was to allow LCA to account for supportable bases (e.g., changes in loss trends) impacting valuation that were not directly incorporated into the model. These adjustments, which were detailed as a step in LCA's written financial close and reporting procedures, were applied at a fund level and impacted the size and direction of returns. When LCA published its monthly reports, it implicitly represented that the returns were accurate and based on supportable bases.

24. Management adjustments were proposed by LCA's finance team. Dolan and Laplanche reviewed, sometimes modified, and approved the adjustments, and LCA acted

through them. Both Dolan and Laplanche understood that the proper use of the adjustments was to account for supportable bases impacting valuation that were not otherwise captured by the valuation model.

B. Respondents Improperly Adjusted December 2015 and January 2016 Returns Upward Using a “Floor”

25. In December 2015, LCA’s returns modeling showed that returns for several of its funds were reaching historic lows, in part due to the incorporation of an interest rate hike on the LendingClub platform that increased the discount rate of the internal model. The drop in monthly returns threatened LCA’s credibility with investors because LCA promised investors “low volatility and solid monthly returns.”

26. For the December 2015 LCA fund returns, Respondents improperly approved a floor for monthly returns of 10 basis points (“bps”) to prevent any fund returns from dropping below this specified level. This floor for returns was not disclosed to investors. The unadjusted December 2015 return for the Broad Based Consumer Credit Fund (“BBFAI”) generated by LCA’s model was only 2 bps, which reflected an unprecedented low return for this fund. To reach the desired floor for returns, Respondents made an upward management adjustment to raise this fund’s return from 2 bps to 10 bps. This adjustment was not based on supportable bases that the valuation model failed to capture.

27. In January 2016, LCA’s model showed zero and negative returns for certain of its funds; historically, LCA had never published zero or negative monthly returns to investors. For the January 2016 fund returns, Respondents and others at LCA set an artificial floor for returns of 2 bps. Laplanche approved upward adjustments to reach a higher, 10 bps floor for the High Yield Consumer Credit (Q) Fund (“HYF”) and BBFQ. Neither the floor of 2 bps nor the floor of 10 bps was disclosed to investors. The returns of four funds were impacted by the upward management adjustments to reach these floors for returns: the Broad Based Consumer Credit II Fund (“BBFII”) (adjusted from 0 bps to 2 bps), BBFAI (adjusted from -14 bps to 2 bps), HYF (adjusted from -5 bps to 10 bps), and BBFQ (adjusted from 6 bps to 10 bps).

28. Laplanche had a small personal investment in the HYF when he approved management adjustments to increase the HYF’s January 2016 returns. LCA’s March 31, 2015 ADV Brochure disclosed Laplanche’s investment in the fund, but it also stated that, so long as he was invested in the fund, LCA had “determined to restrict Mr. Laplanche’s participation on the Investment Policy Committee in connection with policy or management decisions” about the fund. LCA did not, however, restrict Laplanche’s involvement in the valuation of the HYF during this period, which was ultimately the responsibility of the IPC, or disclose its failure to do so.

C. Respondents Improperly Adjusted February and March 2016 Returns Using Prospective Interest Rates

29. In calculating fund returns, LCA’s valuation model discounted projected cash flows using loan interest rates. LCA’s written valuation policies stated that a current, or

prevailing, interest rate should be used in the valuation process. LCA disclosed to investors that it valued the funds' assets using a discounted cash flow model with discount rates based on prevailing interest rates in LendingClub's marketplace. It was LCA's established practice to input a rate in effect by the final day of the month (e.g., LCA calculated February returns during the month of March, so its practice dictated using the interest rates that were in effect by March 31).

30. In February 2016, LendingClub raised the interest rates on the near prime loans it arranged. The HYF was the only LCA fund invested in near prime loans and, at least in the short term, the fund's return as reflected in LCA's model was inversely correlated with LendingClub's interest rate for near prime loans because the LendingClub interest rates were used to discount the cash flows in the fund valuation model.

31. In March 2016, LendingClub was considering lowering its rates for near prime loans, which would have had the effect of raising the returns of the HYF. However, during March 2016, the planned decrease of the near prime interest rate had been discussed and agreed upon by management but had not been formally approved or implemented. Nonetheless, LCA modeled the effect of the prospective rate change on the value of the HYF, and Respondents applied this impact through an upward management adjustment to the February 2016 returns in violation of LCA's valuation policy; this adjustment moved the returns from negative 52 bps to 11 bps. When the near prime rate decrease did not go into effect by the end of March, Respondents did not act to correct or restate the HYF returns by reversing the upward management adjustment. As a result of the improper adjustment, LCA avoided publishing negative returns for the HYF for February 2016.

32. Similarly, in calculating the March 2016 HYF returns, LCA again used management adjustments to apply the impact of the prospective near prime rate change. As in the prior month, LCA made an upward management adjustment to HYF returns based on the modeled effect of the possible rate change. The near prime rate change did not take place during the month of April, and therefore, applying its effect on the March returns violated LCA's valuation policy; this adjustment moved the return from 3 bps to 65 bps. When Respondents learned that the near prime rate change would not go into effect by the end of April, they did not act to correct or restate the HYF returns by reversing the upward management adjustment. As a result of the improper adjustment, LCA avoided publishing near-zero returns for HYF for March 2016. The near prime rate change eventually was implemented in May 2016.

33. Laplanche had a small personal investment in the HYF when he and Dolan approved improper adjustments to increase the HYF's February and March 2016 returns. Contrary to the disclosures in both LCA's March 31, 2015 and March 31, 2016 ADV Brochures, LCA did not restrict Laplanche's involvement in calculating the returns for the HYF during this period, or disclose its failure to do so. Each of the HYF adjustments that Respondents approved in 2016 kept the HYF from reporting negative or near-zero returns, both in terms of setting a "floor" for minimum returns and in applying a prospective interest rate change.

34. LCA disclosed that its IPC was responsible for overseeing the valuation process, but did not disclose that LCA's management could use its discretion in making adjustments to

returns to (i) set a floor, or minimum, for returns, or (ii) account for the impact of a prospective interest rate. The management adjustments that Laplanche and Dolan made to returns for December 2015 and January through March 2016 improperly took into account the purpose of protecting LCA's brand. Without the adjustments, certain of the LCA funds would have reported negative returns for January and February 2016, and zero or near-zero returns from December 2015 through March 2016. These adjustments were material to investors. In making these adjustments to fund returns, both Laplanche and Dolan acted negligently.

LCA's Compliance Deficiencies

35. During the relevant period, LCA failed to implement written policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder in connection with its use of the BBFQ fund to purchase expiring loans to benefit LendingClub and its improper valuation of LCA-managed funds. LCA did not implement policies and procedures reasonably designed to ensure that proper disclosures were made regarding its use of the BBFQ fund's assets and its valuation of the LCA funds. Also, LCA did not implement policies and procedures reasonably designed to ensure that fund assets would be valued appropriately, without arbitrary changes to valuation based on improper considerations. Furthermore, LCA did not implement written policies and procedures to address Laplanche's participation in management of the HYF, in which he had personally invested.

Violations

36. Section 206(1) of the Advisers Act prohibits an investment adviser from employing any device, scheme, or artifice to defraud any client or prospective client. As a result of the conduct described above, LCA and Laplanche willfully violated Section 206(1).

37. Section 206(2) of the Advisers Act makes it unlawful for an adviser, directly or indirectly, to engage in any transaction, practice, or course of business that operates as a fraud or deceit upon any client or prospective client. As a result of the conduct described above, LCA, Laplanche, and Dolan willfully violated Section 206(2).²

38. Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder require a registered investment adviser to, among other things, "implement written policies and procedures reasonably designed to prevent violation" of the Advisers Act and the rules adopted thereunder. As a result of the conduct described above, LCA willfully violated and Laplanche and Dolan caused LCA's violations of Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder.

39. Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder make it unlawful for any investment adviser to a pooled investment vehicle to "[m]ake any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, to any

² Proof of scienter is not required to establish violations of Sections 206(2) and 206(4) of the Advisers Act, or the rules thereunder; a violation may rest on a finding of negligence. See, e.g., SEC v. Treadway, 430 F. Supp. 2d 293, 338 (S.D.N.Y. 2006); SEC v. C.R. Richmond & Co., 565 F.2d 1101, 1105 (9th Cir. 1977).

investor or prospective investor in the pooled investment vehicle” or “engage in any act, practice, or course of business that is fraudulent, deceptive, or manipulative with respect to any investor or prospective investor in the pooled investment vehicle.” As a result of the conduct described above, LCA, Laplanche, and Dolan willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder.

40. Section 207 of the Advisers Act makes it “unlawful for any person willfully to make any untrue statement of a material fact in any registration application or report filed with the Commission . . . or willfully to omit to state in any such application or report any material fact which is required to be stated therein.” As a result of the conduct described above, LCA and Laplanche willfully violated Section 207 of the Advisers Act.

41. Section 204(a) of the Advisers Act and Rule 204-1(a) thereunder require a registered investment adviser to amend its Form ADV as required by the instructions to Form ADV. The relevant instructions to Form ADV provide that it must be updated “promptly” whenever any information in the brochure becomes “materially inaccurate.” As a result of the conduct described above, LCA willfully violated and Laplanche caused LCA’s violations of Section 204(a) of the Advisers Act and Rule 204-1(a) thereunder.

Respondent LCA’s Remedial Efforts

42. In determining to accept LCA’s Offer, the Commission considered remedial acts promptly undertaken by LendingClub and LCA, and the significant cooperation afforded to the Commission staff throughout the duration of the investigation.

43. Following a review initiated by LendingClub’s board of directors in May 2016, LendingClub self-reported problematic conduct it identified.

44. In June 2016, LCA established a new governing board comprised of a majority of independent members to supervise LCA’s exercise of its fiduciary duties on behalf of its clients. LCA also began outsourcing its monthly valuation of fund assets to an independent third party. On June 28, 2016, LCA notified investors in its funds of the management adjustments described above. LCA then recalculated fund returns from the inception of the funds in March 2011 through May 31, 2016, eliminating the impact of the adjustments. LCA then reimbursed approximately \$1 million to investors who were adversely impacted by the adjustments when they entered or exited the funds.

45. In early 2017, LCA engaged a third party consultant to provide advice on compliance matters, resulting in a redesign of LCA’s compliance processes and procedures, including a new compliance manual, code of ethics and revised Form ADV.

46. On October 25, 2017, LCA announced the closure of the LCA funds and the sale of fund assets to a third party in order to provide liquidity to fund investors.

Undertakings

Respondent LCA has undertaken to:

1. Notice to Advisory Clients. Within thirty (30) days of entry of the Order, LCA shall post prominently on its principal website a summary of this Order in a form and location acceptable to the Commission staff, with a hyperlink to the entire Order. LCA shall maintain the posting and hyperlink on its website for a period of six (6) months from the entry of the Order. Within thirty (30) days of entry of the Order, LCA shall provide via email or mail a copy of the Order to fund investors that were affected by the conduct described in this Order.

2. Certificate of Compliance. LCA shall certify, in writing, its compliance with the undertakings set forth above. The certification shall identify the undertaking, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and LCA agrees to provide such evidence. The certification and supporting material shall be submitted to Laura M. Metcalfe, Assistant Director, Complex Financial Instruments Unit, Division of Enforcement, and to Monique C. Winkler, Assistant Director, Division of Enforcement, San Francisco Regional Office, with a copy to the Office of Chief Counsel of the Division of Enforcement, no later than sixty (60) days from the completion of the undertakings.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offers.

Accordingly, pursuant to Sections 203(e), 203(f), and 203(k) of the Advisers Act, and Section 9(b) of the Investment Company Act of 1940, it is hereby ORDERED that:

A. LCA and Laplanche cease and desist from committing or causing any violations and any future violations of Sections 204(a), 206(1), 206(2), 206(4), and 207 of the Advisers Act and Rules 204-1(a), 206(4)-7 and 206(4)-8 thereunder.

B. Dolan cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 206(4) of the Advisers Act and Rules 206(4)-7 and 206(4)-8 thereunder.

C. Laplanche be, and hereby is:

barred from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or

principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter;

with the right to apply for reentry after three (3) years to the appropriate self-regulatory organization, or if there is none, to the Commission.

D. LCA and Dolan are censured.

E. Any reapplication for association by Laplanche will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against Laplanche, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

F. LCA, Laplanche, and Dolan shall each pay a civil money penalty as follows:

- 1) LCA shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$4,000,000 to the Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.
- 2) Laplanche shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$200,000 to the Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.
- 3) Dolan shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$65,000 to the Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.
- 4) Payment must be made in one of the following ways:
 1. Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

2. Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
3. Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying the Respondent and the file number of this proceeding; a copy of the cover letter and check or money order must be sent to Laura M. Metcalfe, Assistant Director, Complex Financial Instruments Unit, Division of Enforcement, Securities and Exchange Commission, Denver Regional Office, Byron G. Rogers Federal Building, 1961 Stout Street, Suite 1700, Denver, Colorado, 80294, and to Monique C. Winkler, Assistant Director, Division of Enforcement, Securities and Exchange Commission, San Francisco Regional Office, 44 Montgomery Street, Suite 2800, San Francisco, California, 94104.

G. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, each Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payments of civil penalties in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

H. LCA shall comply with the undertakings enumerated in Section III above.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and

admitted by Respondents Laplanche and Dolan, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondents Laplanche and Dolan under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondents Laplanche and Dolan of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary