

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 2795 / September 30, 2008**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-13270**

**In the Matter of**

**Daniel N. Jones**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
PROCEEDINGS PURSUANT TO SECTION  
203(f) OF THE INVESTMENT ADVISERS  
ACT OF 1940, MAKING FINDINGS, AND  
IMPOSING REMEDIAL SANCTIONS**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Daniel N. Jones (“Respondent” or “Jones”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) 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 him and the subject matter of these proceedings, and the findings contained in Section III.6 and III.7 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

**III.**

On the basis of this Order and Respondent’s Offer, the Commission finds that:

1. Jones, age 42, is President and Financial Officer of The Addington Fund LP (“Addington” or the “Fund”), an unregistered investment pool and a Delaware registered limited partnership. Jones started the Fund in 2001 and served as the Fund’s investment adviser. Jones is not registered with the Commission and lives in Battle Creek, Michigan.

2. Azure Bay Management, LLC (“Azure Bay”) is a Delaware limited liability corporation formed in 2001 by Jones. Azure Bay is an investment adviser based in Battle Creek, Michigan and is not registered with the Commission. Azure Bay is Addington’s general partner.

3. On November 29, 2007, the Commission filed a Complaint in the United States District Court for the Western District of Michigan against Jones and Azure Bay captioned SEC v. Daniel Jones and Azure Bay Management LLC, No. 07-1198 charging Jones and Azure Bay with violations of Section 17(a) of the Securities Act of 1933 (the “Securities Act”) and Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 (the “Advisers Act”).

4. The Commission’s Complaint alleged, among other things, that Jones and Azure Bay defrauded their private hedge fund client, Addington. Addington incurred substantial losses in 2005. Rather than disclosing these losses, Jones prepared and disseminated false statements and performance reports for Addington’s investors and hid the true performance of the Fund. Despite these losses and Addington’s poor performance, Jones and Azure Bay took excessive fees from Addington based on fabricated returns. Investors in Addington finally learned of Jones’ and Azure Bay’s fraudulent conduct on November 1, 2007 in an email from Jones. Based on those allegations, the Complaint asserted that Jones and Azure Bay violated Section 17(a) of the Securities Act and Sections 206(1) and 206(2) of the Advisers Act. The court granted a temporary injunction on November 29, 2007 and subsequently entered a preliminary injunction on December 19, 2007.

5. The Commission amended the complaint on March 31, 2008 to add violations of Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 thereunder, and Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder. The Amended Complaint alleged that Jones solicited money for Addington from investors using false statements and performance reports and also sent investors newsletters touting fictitious returns.

6. On September 18, 2008, the Court entered a final judgment that, among other things, permanently enjoins Jones and Azure Bay from violating Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1), 206(2), and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder. In a written consent, Jones and Azure Bay agreed to the entry of the order of permanent injunction without admitting or denying the allegations of the Complaint and Amended Complaint except as to jurisdiction which was admitted.

7. A parallel criminal proceeding was brought against Jones on March 18, 2008. On April 1, 2008, Jones pleaded guilty to one count of wire fraud in violation of Title 18 United States Code, Sections 1343 before the United States District Court for the Western District

of Michigan, in United States v. Daniel N. Jones, No. 1:08-CR-74. Jones was sentenced on August 11, 2008 to serve 21 months in prison.

8. The charge to which Jones pled guilty alleged that Jones defrauded an investor and obtained money and property using materially false and misleading statements in connection with the fraudulent sale of limited partnership interests that formed the basis of the Commission's Complaint and Amended Complaint described in Paragraphs B.4 and B.5 above. Jones admitted that on December 14, 2006, he sent an email to a potential Addington investor in California. The email contained false statements regarding Addington's performance and Jones intentionally made these statements for the purpose of inducing the investor to give Jones money. The investor was misled into believing that Addington had made substantial profits and already held \$1,600,000. Based on these false statements, the individual invested \$400,000 with Jones. Jones admitted that he knew that Addington was not profitable and had little money.

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Daniel N. Jones' Offer.

Accordingly, it is hereby ORDERED:

Pursuant to Section 203(f) of the Advisers Act, that Respondent Daniel N. Jones be, and hereby is barred from association with any investment adviser;

Any reapplication for association by the Respondent 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 the Respondent, 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.

For the Commission, by its Secretary, pursuant to delegated authority.

Florence E. Harmon  
Acting Secretary