

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 57329 / February 14, 2008

INVESTMENT COMPANY ACT OF 1940
Release No. 28154 / February 14, 2008

ADMINISTRATIVE PROCEEDING
File No. 3-12559

In the Matter of

**TRAUTMAN WASSERMAN &
COMPANY, INC.,
GREGORY O. TRAUTMAN,
SAMUEL M. WASSERMAN,
MARK BARBERA,
JAMES A. WILSON, JR.,
JEROME SNYDER, AND
FORDE H. PRIGOT,**

Respondents.

**ORDER MAKING FINDINGS AND
IMPOSING REMEDIAL SANCTIONS
AND A CEASE-AND-DESIST ORDER
PURSUANT TO SECTIONS 15(b) AND
21C OF THE SECURITIES
EXCHANGE ACT OF 1934 AND
SECTION 9(b) OF THE INVESTMENT
COMPANY ACT OF 1940 AS TO
FORDE H. PRIGOT**

I.

On February 5, 2007, the Securities and Exchange Commission (“Commission”) instituted public administrative and cease-and-desist proceedings pursuant to Section 8A of the Securities Act of 1933, Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Sections 9(b) and 9(f) of the Investment Company Act of 1940 (“Investment Company Act”) against respondents including Forde H. Prigot (“Respondent” or “Prigot”).

II.

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, which are admitted, Respondent consents to the entry of this Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 and Section 9(b) of the Investment Company Act of 1940 as to Forde H. Prigot ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

Summary

1. This matter concerns a scheme to defraud mutual funds through, among other conduct, deceptive market timing of mutual funds through Trautman Wasserman & Company, Inc. ("TWCO"), a registered broker-dealer. TWCO employed deceptive tactics to evade mutual funds' efforts to restrict TWCO's hedge fund customers' market timing of mutual funds. This illegal conduct generated significant revenues for TWCO and harmed mutual fund investors by diluting the value of their investment.

2. TWCO's mutual fund trading department consisted principally of two registered representatives ("RRs"), James A. Wilson, Jr. ("Wilson") and Scott A. Christian ("Christian"). Numerous mutual funds notified Wilson, Christian, and others at TWCO that frequent trading by TWCO's customers violated prohibitions in the mutual funds' prospectuses, and the mutual funds instructed TWCO to stop permitting its customers to trade those funds. Christian and others, acting at Wilson's direction, then employed deceptive tactics to continue trading the mutual funds that had requested TWCO's customers to stop.

3. TWCO's former chief administrative officer, Jerome Snyder ("Snyder"), and its former chief compliance officer, Prigot, also participated in TWCO's deceptive market timing. Snyder and Prigot each took steps to deceive mutual fund companies about TWCO's customers' market timing to evade the mutual fund companies' efforts to curtail the practice.

Respondent

4. **Prigot**, age 64, is a resident of Park Ridge, NJ. Prigot was a compliance officer of TWCO beginning in January 2002. Prigot was the chief compliance officer of TWCO from February 2003 to October 2005. At all relevant times, Prigot was associated with TWCO. Prigot holds or has held Series 4, 7, 24, 27, 55, and 66 licenses.

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Related Entity

5. TWCO, based in New York, New York, was at all relevant times a broker-dealer registered with the Commission.

Market Timing

6. Market timing includes (a) frequent buying and selling of shares of the same mutual fund or (b) buying or selling mutual fund shares in order to exploit inefficiencies in mutual fund pricing. Market timing, while not illegal per se, can harm other mutual fund shareholders because it can dilute the value of their shares. Market timing can also disrupt the management of the mutual fund's investment portfolio and cause the targeted mutual fund to incur costs borne by other shareholders to accommodate frequent buying and selling of shares by the market timer.

Prigot Participated in TWCO's Deception of Mutual Funds That Sought To Curtail Market Timing

7. In March 2001, as TWCO began large-scale market timing for its customers, mutual fund complexes began notifying TWCO that the funds restricted or prohibited such transactions. For example, on March 16, 2001, a fund complex wrote Christian to warn him about excessive trading by customer accounts in one of the complex's mutual funds. The letter explained that excessive trading could hurt the mutual fund's performance and that the fund's prospectus therefore reserved to the fund complex the right to refuse an exchange request if there were more than two exchanges from the same fund in any three-month period. The letter notified Christian that "exchange activities in your client's account have become excessive and we are writing you in an effort to have you and your clients adhere to the guidelines stated in our Prospectus," and warned that further excessive trading would result in a trading freeze in the accounts.

8. In total, during the period March 2001 through April 2003, TWCO, Wilson, and Christian received 307 "kick out" letters from 40 mutual fund families that addressed trading activity in 113 accounts.

9. In response, Wilson and Christian attempted to deceive mutual fund companies and evade their restrictions. Wilson had learned many of these techniques from his hedge fund customers while Wilson was working at other broker-dealers. Wilson explained these techniques to Christian, and directed him to employ them.

10. Based on Wilson's instructions, Christian opened multiple accounts for TWCO's market timing customers and entered transactions using one of numerous RR numbers. Christian did this because he understood that mutual fund companies would be less likely to detect market timing by a customer if the customer's trades occurred in numerous accounts with different account numbers, account names, or RR identification numbers.

11. More specifically, TWCO "cloned" accounts to evade mutual funds' restrictions. For example, a fund complex sent a letter to TWCO on February 22, 2002 concerning account

number 70087, an account that TWCO maintained for Hedge Fund A, warning that the account was approaching the limit on exchanges. On March 4, 2002, Christian opened two new accounts, each with a new account number (70089 and 70110), for the same entity, and two days later entered a market timing trade in one of the mutual fund complex's mutual funds. Similarly, on June 4, 2002, the same fund complex sent to TWCO a letter imposing restrictions on trading by account number 70104, an account that TWCO maintained for Hedge Fund B. On June 7, 2002, Christian opened a new account for the same entity with a new account number (70139), and less than three weeks later began trading the fund complex's mutual funds using the new account.

12. Consistent with this deceptive practice, TWCO opened a total of 140 accounts for eleven institutional customers. These included 68 accounts for its customer Hedge Fund A; 35 accounts for Hedge Fund B; nine accounts for Hedge Fund C; 15 accounts for Hedge Fund D; and five accounts for Hedge Fund E. Christian prepared the new account forms, which he then submitted to Snyder or Prigot for approval and signature.

13. Christian, assisted by Snyder and/or Prigot, also established 16 different RR identification numbers at TWCO for use in mutual fund trading, as a means of evading restrictions imposed by mutual funds that tracked excessive trading through RR numbers.

14. Prigot was aware that mutual funds were trying to curtail Wilson's and Christian's trading. Prigot received numerous kick out letters from mutual funds. In addition, Prigot was responsible for dealing with mutual fund complexes that had questions about TWCO's mutual fund market timing customers.

15. Snyder explained to Prigot that, when mutual fund complexes asked who controlled accounts that the fund complexes suspected were engaged in market timing, Prigot should tell the fund complexes that the accounts were "house accounts." On at least two occasions, when mutual funds questioned whether certain trades were market timing trades, Prigot told mutual fund complexes' representatives that the RR numbers associated with the accounts in question were house RR numbers even though he knew that the trades were performed by Wilson and Christian and were engaged in market timing.

16. In addition, Prigot served as a principal at TWCO. In this capacity, Prigot signed numerous account opening forms for Wilson's and Christian's market timing customers. Prigot thus enabled TWCO to create duplicate accounts, which Wilson and Christian used to enable their customers to continue to market time mutual funds without the funds' knowledge.

Violations

17. By virtue of the conduct of its officers and employees as discussed above, TWCO violated, and Prigot willfully aided and abetted and caused violations of, Section 15(c) of the Exchange Act and Rule 10b-3 thereunder. Section 15(c) of the Exchange Act and Rule 10b-3 thereunder prohibit fraudulent conduct by brokers or dealers in connection with the purchase or sale of securities. TWCO violated Section 15(c) of the Exchange Act and Rule 10b-3 when TWCO and its RRs misrepresented and concealed the identities of TWCO's RRs and customers, as

well as the nature of their customers' market timing activity, from mutual funds. Prigot substantially assisted this violation. Prigot received numerous warning or kick out letters from mutual funds, but failed to stop the market timing as the funds requested. Prigot signed numerous account opening forms for TWCO. Wilson and Christian then used the multiple accounts to market time mutual funds. After mutual funds questioned whether certain trades were market timing trades, Prigot told mutual fund complexes' representatives that the RR numbers associated with the accounts in question were house RR numbers even though he knew that the trades were performed by Wilson and Christian and were engaged in market timing. Prigot was generally aware that his conduct was wrongful.

18. As a result of the conduct described above, TWCO, Wilson, Christian, and their customers violated, and Prigot willfully aided and abetted and caused violations of, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. Section 10(b) of the Exchange Act and Rule 10b-5 prohibit fraudulent practices in connection with the purchase or sale of securities. Among other things, TWCO, Wilson, Christian, and their customers engaged in deceptive market timing when they misrepresented and concealed the identities of TWCO's RRs and customers, as well as the nature of their customers' market timing activity, from mutual funds. Prigot substantially assisted this conduct. For example, Prigot received numerous warning or kick out letters from mutual funds, but failed to stop the market timing as the funds requested. Prigot also signed numerous account opening forms for TWCO. Wilson and Christian then used the multiple accounts to deceive mutual funds about the identity of their customers in order to market time mutual funds. Additionally, after mutual funds contacted Prigot and questioned whether certain trades were market timing trades, Prigot told mutual fund complexes' representatives that the RR numbers associated with the accounts in question were house RR numbers even though he knew that the trades were performed by Wilson and Christian and were engaged in market timing. Prigot was generally aware that his conduct was wrongful.

Undertakings

19. Respondent undertakes to cooperate fully with the Commission in any and all investigations, litigations or other proceedings brought by the Commission relating to or arising from the matters described in the Order and agrees:

- a. To comply with any and all reasonable requests by the Commission's staff for documents or other information;
- b. To be interviewed at such times as the Commission's staff reasonably may direct;
- c. To appear and testify in such investigations, depositions, hearings or trials as the Commission's staff reasonably may direct; and
- d. That in connection with any (i) testimony of Respondent to be conducted by testimony session, deposition, hearing or trial, or (ii) requests for documents or

other information, that any notice or subpoena for such may be addressed to Respondent's counsel, and be served by mail or facsimile.

IV.

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

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

- A. Respondent Prigot cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder;
- B. Respondent Prigot cease and desist from causing any violations and any future violations of Section 15(c) of the Exchange Act and Rule 10b-3 thereunder;
- C. Respondent be, and hereby is, suspended from association with any broker or dealer for a period of six (6) months, effective on the second Monday following the entry of this Order.
- D. Respondent is 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 for a period of six (6) months, effective on the second Monday following the entry of this Order; and
- E. IT IS FURTHER ORDERED that Respondent shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of Thirty Thousand Dollars (\$30,000) to the Securities and Exchange Commission. Such payment shall be: (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies Forde H. Prigot as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Kay L. Lackey, Associate Regional Director, Securities and Exchange Commission, New York Regional Office, 3 World Financial Center, New York, NY 10281.

By the Commission.

Nancy M. Morris
Secretary