

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 52616 / October 17, 2005

INVESTMENT ADVISERS ACT OF 1940
Release No. 2443 / October 17, 2005

ADMINISTRATIVE PROCEEDING
File No. 3-12086

In the Matter of

RUSS R. LUCIANO,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934
AND 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 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Russ R. Luciano (“Luciano” or “Respondent”).

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 Sections III.2. and III.4. below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and 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. Luciano, 45 years old, is a resident of Duryea, Pennsylvania. From 1999 through, at least, March 2003, Luciano was associated with two unregistered brokers: JT Investment Group Inc. and New Resource Investment Group, Inc. From 2001 through December 2003, Luciano was a principal of Investment Advisor Group, LLC, an investment adviser registered in Pennsylvania.

2. On October 6, 2005, a final judgment was entered by consent against Luciano, permanently enjoining him from future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933, and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, in the civil action entitled Securities and Exchange Commission v. Luciano, et al., Civil Action Number 3:03-CV-1614, in the United States District Court for the Middle District of Pennsylvania.

3. The Commission’s Complaint alleged that, from July 1999 until March 2003, Luciano and his co-defendants engaged in a scheme to defraud over 100 investors of approximately \$4.5 million. The Complaint further alleged that Luciano and his co-defendants made false and misleading statements to investors in order to obtain their funds and to convert those funds for their personal use. Among other things, the Complaint alleged that Luciano and his co-defendants falsely promised that they would invest investor money in one of two purported hedge funds for the purpose of day-trading securities, and that these funds made annual returns from 20% to 120%. In fact, Luciano and his co-defendants misappropriated the vast majority of the investor money for their own personal use and to repay existing investors, thereby conducting a Ponzi scheme. The Complaint also alleged that Luciano and his co-defendants concealed their scheme by creating and distributing fictitious monthly account statements and other documents, which reported false balances and false profits in the purported hedge fund accounts.

4. On March 21, 2005, Luciano pled guilty to one count of conspiracy to commit mail fraud in violation of Title 18 United States Code, Section 371 before the United States District Court for the Middle District of Pennsylvania, in United States v. Russ R. Luciano, Crim. Action No. 3:03-CR-245-02. On June 30, 2005, the district court judge entered judgment against Luciano in the criminal action, sentenced him to a prison term of 50 months followed by three years of supervised release, and ordering him to make restitution in the amount of \$1,411,507.98.

5. The counts of the criminal information to which Luciano pled guilty alleged, *inter alia*, that, beginning on or about January 1999 and continuing until on or about April 2003, Luciano and others conspired to obtain money and property by means of materially false and misleading statements, and that he used the United States mails to communicate the false and misleading statements to investors and prospective investors.

IV.

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

Accordingly, it is hereby ORDERED:

Pursuant to Section 15(b)(6) of the Exchange Act and Section 203(f) of the Advisers Act, that Respondent Luciano be, and hereby is barred from association with any broker, dealer, or 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.

By the Commission.

Jonathan G. Katz
Secretary