UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

Investment Advisers Act of 1940
Release No. 2434 / September 21, 2005

Administrative Proceeding
File No. 3-12052

In the Matter of: SPRINGER INVESTMENT MANAGEMENT, INC. and KEITH W. SPRINGER Respondents.	ORDER INSTITUTING ADMINSTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTIONS 203(e), 203(f) AND 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS AND IMPOSING REMEDIAL SANCTIONS AND ISSUING 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") against Springer Investment Management, Inc. ("SIM" or the "Company") and Keith W. Springer ("Springer") (collectively "Respondents").

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement ("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 that Respondents admit the jurisdiction of the Commission over them and over the subject matter of these proceedings, Respondents consent to the issuance 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, Making Findings and Imposing Remedial Sanctions and Issuing a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondents' Offers, the Commission finds that:

Summary

1. From 2000 to 2002, Keith Springer and his investment firm, Springer Investment Management, Inc. ("SIM"), misrepresented the performance of the hedge fund SIM managed by overvaluing a struggling "dot com" in which the hedge fund had invested. As the rest of the hedge fund's publicly traded investments declined in value, SIM bolstered the fund's overall performance by inflating the value of its stock in the struggling company, a privately-held Internet security called Citi411.com, which constituted the fund's largest holding. Notwithstanding the dramatic decline in the price of publicly-traded Internet stocks during the early 2000s, SIM continued to value the fund's Citi411.com shares at several times the price the fund had paid for them. SIM's overvaluation of the shares allowed Springer and SIM to provide misleading assurances of the hedge fund's performance to fund investors.

Respondents

2. Springer Investment Management, Inc., a California corporation with headquarters in Sacramento, California, became registered with the Commission as an investment adviser effective February 1, 2000. As of April 22, 2005, SIM's assets under management totaled approximately $32 million.

3. Keith W. Springer, age 42 and a resident of Sacramento, California, serves as SIM's president and sole shareholder and is SIM's only full time employee aside from an administrative assistant. Since his graduation from college in 1985, Springer has worked as a registered representative with a series of different broker-dealers. On November, 10, 1999, the New York Stock Exchange ("NYSE") censured him and barred him from membership and from employment or association in any capacity with any member or member organization for four years, a decision subsequently upheld by the Commission.

Other Relevant Entity

4. Apollo Fund, L.P. (the "Fund") is a California limited partnership that began operating as a hedge fund in April 2000. SIM is the sole general partner of the Fund and makes all investment decisions on behalf of the Fund. SIM and Springer formed the Fund as an investment vehicle to provide investment alternatives for certain SIM investment advisory clients. During the relevant period, SIM received a quarterly asset-based management fee equal to 1% annually of each limited partner's share of partnership net capital. From May through December 2000, SIM clients invested approximately $7 million in the Fund.

Facts

The Apollo Fund Invests in Privately Held Citi411.com Corporation.

5. In mid-May 2000, shortly after the Fund's inception, SIM invested $120,000 in a small privately held start-up company called Citi411.com Corporation ("Citi411"). Based in Davis, California, Citi411 was an Internet portal company seeking to provide online city guides for second tier cities, predominately college towns. Citi411's business plan, provided to SIM before the Fund invested, targeted nine California cities for its initial roll-out. Pro forma financials projected that by the end of June 2003, the company would be cash positive with net income of $1.4 million. Citi411 disclosed to SIM that realization of these goals required the company to raise $4 million to $5 million in capitalization.

6. At the time SIM invested on behalf of the Fund, Citi411 had only one website (for Davis, California). Moreover, Citi411's only employee was its majority owner, a twenty-year-old college student. The Fund was Citi411's first outside investor.

7. Two months after the Fund invested, Citi411 authorized a 3:1 stock split. While the Fund initially purchased 40,000 shares at $3 each, the Fund now held 120,000 shares valued at $1 each.

SIM Improperly Increases the Valuation of the Fund's Citi411 Stock Holdings

8. Under the terms of the Apollo Fund's offering materials and limited partnership agreement, SIM was required to value the Fund's investments in good faith. For privately traded securities, which had no public market with readily available price quotations, SIM would value the security at the price paid by the Fund, but was obligated to adjust the value if the issuer of the securities (in this case, Citi411) obtained subsequent significant financing at a new price. The Fund documents also provided that SIM could consider other circumstances, as long as done in good faith.

9. In late 2000, SIM increased the valuation of its holdings in Citi411 from $1 to $5.50 a share, so that its holdings of 120,000 shares of Citi411 (post-split) were now valued at a total of $660,000. SIM did not disclose to Fund investors that this change was being made, or the reasons for it.

10. Springer and SIM based the adjusted valuation on the subsequent purchase of Citi411 shares by two individual investors (notably, SIM clients referred to Citi411 by Springer) at $5.50 per share. However, SIM failed to take into account the purchase of Citi411 by other individuals (including Springer himself) at prices significantly below $5.50 per share. All told, there were six additional Citi411 stock purchases between the Fund's purchase and SIM's December price hike, at prices averaging approximately $2.83 per share (post-split). Given the small number of purchasers, and SIM's decision to increase the price of the Fund's shares by 550%, SIM should have taken steps to assure itself that it had all relevant pricing information.

11. Between the time of the Fund's investment and the hike in value, Citi411 had opened no new portals, nor had it acquired any large customers. To the contrary, SIM learned that Citi411 planned to scale back its objectives and focus on the Davis site, and that Citi411 was experiencing difficulty raising sufficient funds to finance its business plan.

SIM Fails to Adjust the Price in Spite of a Downturn in the Technology Stocks and Citi411's Failure to Meet its Targets.

12. From late 2000 until October 2002 – a time of marked decline in the price of publicly traded stocks, particularly in the Internet and technology sectors – SIM never adjusted the pricing of its Citi411 holdings, and continued to report the Fund's performance based on the $5.50 per share stock valuation.

13. In maintaining the $5.50 per share valuation for the Fund's Citi411 investment, SIM relied in part upon a written analysis prepared by Citi411 in 2002 that was faulty in two respects. Citi411 purported to derive the $5.50 stock price from the company's projected price-earnings ("P/E") ratio, a commonly-used measure of how much investors are willing to pay for a company's stock. However, the analysis incorporated outdated assumptions regarding Citi411's operations. As Springer was aware, Citi411 had no actual earnings at the time; it was failing to meet its business objectives and had not added the requisite investors needed to fund its business plan. In addition, Citi411 had erroneously calculated the P/E ratio used for its financial projections by using *revenue*, rather than earnings, resulting in a substantially inflated financial picture. Thus, by continuing to value the Citi411 stock at $5.50 per share, Springer and SIM failed to value the Fund's securities in good faith.

14. Throughout this period, SIM disseminated quarterly statements to Fund investors reporting the value of the investor's share of the Fund and discussing the Fund's performance. As a result of SIM's decision to mark up the price of the Fund's Citi411 shares and carry them at an inflated valuation, SIM provided Fund investors an inaccurate value of their investment in Citi411 and the performance of the Fund. The overvaluation was significant. As a result of the decrease in the price of the Fund's other securities holdings, coupled with SIM's inflation of the Citi411 value, the Citi411 shares came to represent a substantial portion of the Fund's holdings. While the initial $120,000 Citi411 purchase represented less than 2% of the initial $7 million invested in the Fund, by late 2001 the Citi411 shares (as valued by SIM) represented nearly 70% of the Fund's assets.

15. Not only did the account statements distort the Fund's performance, but they misrepresented the success of the Citi411 investment. In statements to clients, SIM claimed that Citi411 was strong, stable and contributed to the Fund's positive performance. For instance, in its June 30, 2002 statement, the Fund stated that:

> Citi411 continues to show relatively strong performance in its business and the share price has once again held steady, largely because it is a privately held

> company and not subject to the emotional roller coaster that all other publicly traded stocks are.

SIM failed to report that, in actuality, Citi411 was falling short of its business projections, and its price was holding steady only because SIM failed to properly write it down based on economic reality.

16. SIM finally wrote down the price at which the Fund carried its Citi411 holdings, cutting it in half in October 2002 (following an examination of SIM's records by the Commission staff).

SIM Failed to Update Its
Disclosure of Springer's Disciplinary History.

17. SIM also failed to comply with the rule requiring registered investment advisers to update their Forms ADV when required.

18. On November 10, 1999, a New York Stock Exchange panel found that, while Springer was employed as a registered representative with a broker-dealer, he effected improper post-execution allocation of trades and allocated trades with better executions to his personal account to the detriment of his customers. SIM reported the NYSE ruling in its Form ADV, but explained that the ruling was on appeal. Thereafter, SIM failed to timely amend the disclosure to report that, in fact, he had lost the appeal, with the Commission affirming the NYSE decision in February 2002. As SIM's president, Springer was responsible for ensuring SIM properly updated its Form ADV.

Violations

19. As a result of the conduct described above, SIM and Springer willfully violated Section 206(2) of the Advisers Act in that, while acting as an investment adviser, each engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon clients or prospective clients. Specifically, SIM adjusted the price of the Citi411 stock and then continued to carry it on the Fund's books at an inflated value. In addition, the quarterly statements to Fund investors included inaccurate statements about Citi411, in particular, that Citi411 was strong, stable and contributed to the Fund's positive performance. Springer, as president of SIM, was responsible for valuing Citi411 stock and for the disclosures to the Fund's limited partners.

20. Section 204 of the Advisers Act requires that registered investment advisers make and keep records, and make and disseminate reports which the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors. Rule 204-1(a)(2) requires that an investment adviser must amend its Form ADV when certain information in it becomes inaccurate. SIM did not timely update its Form ADV to reflect developments in the action the NYSE brought against Springer. In its subsequent Forms ADV, SIM did not accurately reflect the

Commission's order affirming the NYSE's decision, including the four-year bar. As a result, SIM willfully violated Section 204 of the Advisers Act and Rule 204-1(a)(2) thereunder. Springer willfully aided and abetted and caused SIM's violation of Section 204 and Rule 204-1(a)(2).

Undertakings

21. Respondent SIM undertakes:

a. To hire, at its expense, an Independent Consultant not unacceptable to the Commission's staff (1) to review the pricing for non-public equity securities for the next four quarters from the date of the Order and make a report with recommendations thereafter on SIM's policies, procedures, and practices for pricing of those securities; and (2) to review SIM's Forms ADV to ensure adequacy and timeliness of SIM's disclosures;

b. At the end of that review, to require the Independent Consultant to submit the report and recommendations to SIM and to Helane L. Morrison, District Administrator of the Commission's San Francisco District Office, and to be bound to implement the final recommendations of the Independent Consultant, although SIM may suggest alternative procedures to achieve the goals of any recommendations;

c. To submit all future pricing changes regarding non-public equities to an Independent Consultant in advance for a period of one year;

d. To abstain from making any valuation changes of non-public equity investments until after the new investments or valuation changes have been approved by the Independent Consultant for a period of one year;

e. To submit all necessary future changes to the Form ADV to an Independent Consultant in advance for a period of one year;

f. To require the Independent Consultant to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Independent Consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with SIM, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the Independent Consultant will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the Independent Consultant in performance of his/her duties under this Order shall not, without prior written consent of the San Francisco District Office of the United States Securities and Exchange Commission, enter into any employment, consultant, attorney-client, auditing or other professional relationship with SIM, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement;

22. To mail a copy of this Order to each existing investment advisory client within 30 days following the entry of this Order. The Order shall be sent by certificate of mailing, along with a cover letter in a form not unacceptable to the staff of the

Commission. SIM shall notify Helane L. Morrison of the San Francisco District Office when this undertaking is completed; and

23. From the effective date of this Order until the expiration of 12 months, SIM shall provide a copy of the Order to all prospective investment advisory clients not less than 48 hours prior to entering into any written or oral investment advisory contract (or no later than the time of entering into such contract, if the client has the right to terminate the contract without penalty within five business days after entering into the contract). Within one month after expiration of the 12-month period, SIM shall notify the staff of the Commission by mail directed to the San Francisco District Office (as above) when this undertaking is completed.

IV.

On the basis of the foregoing, the Commission deems it appropriate and in the public interest to impose the following remedial sanctions agreed to in Respondents' Offer.

Accordingly, it is hereby ORDERED:

A. Pursuant to Section 203(e) and 203(f) of the Advisers Act, SIM and Springer are hereby censured;

B. Pursuant to Sections 203(k) of the Advisers Act, SIM and Springer shall cease and desist from committing or causing any violations and any future violations of Sections 204 and 206(2) of the Advisers Act and Rule 204-1(a)(2) thereunder;

C. SIM shall comply with the undertakings enumerated in Section III., Paragraphs 21-23; and

D. SIM and Springer shall jointly pay a civil money penalty in the amount of $50,000 (fifty thousand dollars) to the United States Treasury on the following schedule: $10,000 due within 30 days of the entry of this Order; another $10,000 due within 140 days of this Order; another $10,000 due within 250 days of this Order; and the remaining $20,000 due within 360 days of the entry of this Order. Payment of the civil penalty 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 SIM and Springer as the respondents in these proceedings and the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Helane L. Morrison, District Administrator, Securities and Exchange Commission, San Francisco District Office, 44 Montgomery Street, Suite 2600, San Francisco, CA 94104. SIM and Springer agree that if the full amount of any payment described above is not made within ten (10) days following the date the payment is required by this Order, the entire amount of civil penalties, $50,000, plus post-judgment interest minus payments made, if any, is due and payable immediately without further application.

By the Commission.

Jonathan G. Katz
Secretary