

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 62834 / September 2, 2010**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-14028**

**In the Matter of**

**LACE FINANCIAL CORP.**  
**and BARRON PUTNAM,**

**Respondents.**

**ORDER INSTITUTING  
ADMINISTRATIVE AND CEASE-AND-  
DESIST PROCEEDINGS, PURSUANT TO  
SECTIONS 15E(d) AND 21C OF THE  
SECURITIES EXCHANGE ACT OF 1934,  
MAKING FINDINGS, AND IMPOSING  
REMEDIAL SANCTIONS AND CEASE-  
AND-DESIST ORDERS**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate, necessary for the protection of investors, and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant Sections 15E(d) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against LACE Financial Corp. (“LACE” or the “Company”) and pursuant to Section 21C of the Exchange Act against Barron Putnam (“Putnam”) (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, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15E(d) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and Cease-and-Desist Orders (“Order”), as set forth below.

### III.

On the basis of this Order and Respondents' Offers, the Commission finds:<sup>1</sup>

#### Summary

These proceedings arise out of misrepresentations made by LACE in its application to the Commission to become registered as a Nationally Recognized Statistical Rating Organization ("NRSRO") and its accompanying request for an exemption from a conflict-of-interest provision. Exchange Act Rule 17g-5(c)(1) prohibits an NRSRO from issuing or maintaining a credit rating solicited by a person that, in the most recently ended fiscal year, provided the NRSRO with net revenue equaling or exceeding ten percent of the total net revenue of the NRSRO for the fiscal year. In its request for an exemption from this rule, LACE materially misstated the amount of revenue it received from its largest customer during 2007.

In addition, LACE also violated certain other Commission rules governing NRSROs. LACE violated Exchange Act Rule 17g-1(a) by making the misstatements described above and by failing to disclose in its registration application that it performed an extra layer of review for the credit ratings of issuers whose securities made up the pools for asset-backed securities managed by LACE's largest customer. LACE violated Rule 17g-2(a)(6) by failing to document the process of this extra layer of review in its written policies and procedures. LACE violated Rule 17g-2(b)(7) by failing to maintain all emails relating to its credit ratings and violated Rule 17g-3(a)(1) by furnishing inaccurate audited financials to the Commission for 2008. In addition, LACE violated Rule 17g-5(c)(2) because LACE's founder and majority owner, Putnam, participated in determining a credit rating for an entity whose stock he owned. Putnam was a cause of LACE's violations.

#### Respondents

1. LACE is a credit rating agency located in Frederick, Maryland. During 2008, LACE had total revenues of \$918,714 and net income of \$98,837. LACE was formed in 1984, and derives most of its revenue from subscription fees. On February 11, 2008, the Commission granted LACE's application to register as an NRSRO for all five classes of credit ratings described in clauses (i) through (v) of Section 3(a)(62)(B) of the Exchange Act. On the same day, the Commission also granted LACE's request for an exemption from Exchange Act Rule 17g-5(c)(1) until January 1, 2009, provided that LACE disclosed that the firm received more than ten percent of its net revenue in fiscal year 2007 from a client that paid it to rate asset-backed securities. Since its founding, LACE has specialized in issuing credit ratings for financial institutions. At the time of its NRSRO application, LACE provided quarterly credit ratings on approximately 7,900 commercial and savings banks, 1,000 bank holding companies, 850 savings and loans, 1,500 to 8,700 credit unions (depending on the quarter), 250 foreign banks, and 95 title insurance companies.

2. Putnam is the founder of LACE and during the relevant period was LACE's 90 percent owner. He was president of LACE until April of 2007, when LACE hired a new

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<sup>1</sup> The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

president. At that time, Putnam took on the role of part-time adviser to LACE, in which role he advised the Company on major decisions and continued to be involved in the ratings process. He also served as LACE's compliance officer. At the end of 2008, LACE terminated its president ("LACE's former President") and Putnam resumed that position in January 2009.

### **The Credit Rating Agency Reform Act and Commission Rules Governing NRSROs**

3. The Credit Rating Agency Reform Act of 2006 ("Rating Agency Act"),<sup>2</sup> enacted on September 29, 2006, defined the term "nationally recognized statistical rating organization" and provided authority for the Commission to implement registration, recordkeeping, financial reporting, and oversight rules with respect to registered credit rating agencies. The final Commission implementing rule (Exchange Act Rule 17g-1) and form (Form NRSRO) prescribing the process for a credit rating agency to apply for registration became effective on June 18, 2007. Exchange Act Rule 17g-1 requires a credit rating agency applying for registration as an NRSRO to use Form NRSRO to furnish the Commission with the initial application. The Rule requires a firm, after becoming registered as an NRSRO, to update its registration application if any of the information becomes materially inaccurate and to provide an annual certification on Form NRSRO. Exchange Act Rules 17g-2 through 17g-6 became effective on June 26, 2007. Among other things, Exchange Act Section 15E and these rules (a) require an NRSRO to make and retain certain records (Rule 17g-2); (b) require NRSROs to furnish the Commission with periodic financial reports (Rule 17g-3); and (c) prohibit NRSROs from having certain conflicts of interest and require NRSROs to establish, maintain, and enforce written policies and procedures reasonably designed to address and manage certain other conflicts of interest related to the issuance of credit ratings by the NRSRO (Rule 17g-5).

4. To register with the Commission as an NRSRO, a credit rating agency must have been in business as a credit rating agency for at least three consecutive years immediately preceding the date of its application, and it must issue credit ratings with respect to one or more of the following categories of obligors: (a) financial institutions, (b) insurance companies, (c) corporate issuers, (d) issuers of asset-backed securities, and (e) issuers of government securities, municipal securities, or securities issued by a foreign government. The credit rating agency also must submit an application that contains certain information including, among other things, the procedures and methodologies that the applicant uses to determine credit ratings, policies and procedures to prevent the misuse of material, nonpublic information, any conflict of interest relating to the issuance of credit ratings, whether it has a code of ethics in effect, and certain financial information.

5. The Commission's rules were designed to further the goals of the Rating Agency Act to "improve ratings quality for the protection of investors and in the public interest by fostering accountability, transparency, and competition in the credit rating agency industry."<sup>3</sup> To meet these goals, it is critical that firms provide accurate information to the Commission and the public in their Form NRSROs and financial reports, that they do not have prohibited conflicts, and that they establish, maintain, and enforce policies and procedures to address conflicts of interest. Compliance with the recordkeeping requirements is critical to the Commission's NRSRO examination and oversight programs.

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<sup>2</sup> Pub. L. No. 109-291 (2006).

<sup>3</sup> Preamble to the Rating Agency Act.

## Facts

### **A. LACE's Misstatements in its NRSRO Application**

6. The Commission received a complete application from LACE to register as an NRSRO on October 31, 2007.

7. In a letter dated October 30, 2007, LACE requested that the Commission issue an order exempting LACE from Rule 17g-5(c)(1), which prohibits an NRSRO from issuing or maintaining a credit rating solicited by a person that, in the most recently ended fiscal year, provided the NRSRO with net revenue equaling or exceeding ten percent of the total net revenue of the NRSRO for the fiscal year (the "Ten Percent Rule").

8. LACE requested an exemption from the Ten Percent Rule because, for the fiscal year ending December 31, 2007, LACE maintained credit ratings on asset-backed securities solicited by LACE's largest client ("Firm A"), which had provided LACE with more than ten percent of LACE's total revenue during fiscal year 2007. Firm A, among other things, manages Collateralized Debt Obligation ("CDO") investment vehicles constructed from pools of assets comprised largely of trust-preferred securities issued by banks and thrifts, and hired LACE to prepare initial and semi-annual reports regarding the issuing entities that Firm A distributed to investors in these CDOs.

9. LACE prepared the investor reports for Firm A twice a year for each of Firm A's five (and beginning in 2007, six) CDO pools. The reports included, among other things, a report on the financial condition of the particular CDO pool, summaries of all issuers whose LACE ratings had been upgraded or downgraded from the previous quarter, a description of any issuers that had undergone a merger or acquisition in the past quarter, and a banking industry analysis. The reports also included charts showing selected financial ratios and other financial data.

10. The reports also contained LACE's credit rating for each issuer whose securities were in the CDO pools, as well as a rating of the overall credit worthiness of each CDO pool, based on the par weighted average of LACE's ratings on each issuer of securities in the pool. LACE did not rate the various tranches of securities issued by the CDOs.

11. In its October 30, 2007 letter requesting an exemption from the Ten Percent Rule, LACE stated that its estimated annual revenues from Firm A for 2007 would be \$119,000 when calculated on a cash basis and \$179,000 when calculated on an accrual basis. The letter further stated that the account represented 18.6 percent of LACE's revenues and that LACE expected this percentage to decrease by the end of 2007 and further decrease in 2008. Putnam signed the letter.

12. Subsequently, in an attempt to keep the 2007 revenue from Firm A as close as possible to ten percent of its total revenues for the year, LACE postponed billing Firm A for reports completed during December 2007 until January 2008. The total value of the work for which billing was deferred totaled \$115,450, which LACE recognized as 2008 revenue. However, because the reports were completed in December 2007, under generally accepted accounting principles ("GAAP"), LACE should have recorded this as 2007 revenue.<sup>4</sup>

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<sup>4</sup> GAAP provides that revenue should generally be recognized when it is earned, as opposed to when it is billed or received. See SEC Staff Accounting Bulletin No. 104, Revenue Recognition (December 17, 2003) (Corrected Copy).

13. In a letter dated January 10, 2008 to the staff of the Commission's Division of Trading and Markets, LACE stated that its 2007 revenues from Firm A were \$119,393, which accounted for 14.2 percent of LACE's 2007 revenue. The letter, signed by LACE's former President and copied to Putnam, stated that although the numbers provided in the letter were unaudited, LACE did not anticipate that there would be any material changes. The amount of revenue attributed to Firm A in the letter was the amount that LACE had been paid by Firm A during 2007, and, inconsistent with GAAP, did not include the \$115,450 for work that LACE had completed for Firm A in December 2007, but had not billed until January 2008. The letter signed by LACE's former President did not describe the basis for the stated revenue amount or disclose that LACE had deferred its recognition of revenue from Firm A into 2008. The total value of work performed for Firm A by LACE during 2007 was in fact \$233,268.28, approximately 28 percent of LACE's revenues for the year when properly calculated on an accrual basis as required by GAAP.<sup>5</sup>

14. On February 11, 2008, the Commission granted LACE's application to be registered as an NRSRO in all five classes of credit ratings. On the same day, the Commission issued an order exempting LACE from the Ten Percent Rule until January 1, 2009, provided that LACE disclosed in its Form NRSRO that it received more than ten percent of its net revenue from a client that paid it to rate asset-backed securities. In granting the exemption, the Commission recognized the "unique circumstances of a small credit rating agency while balancing this against the goal of Rule 17g-5(c)(1) - to prohibit a conflict that has the potential to influence a credit rating agency's impartiality." The Commission's order also specifically noted that LACE had "stated that it expects the percentage of total revenue provided by the client will decrease."

15. On February 27, 2008, LACE's auditor sent an email to LACE's former President stating, "I did notice that there was a billing to [Firm A] early in January 2008 . . . that appeared to be for services provided in December 2007. We'll have to talk about this when I come out, as I need to make sure that revenues are recorded in the correct accounting period." In response, LACE's former President represented to the auditor that the work in question for Firm A had not been completed until January 2008, thus making them 2008 revenues, even though he knew or should have known that the work in question had been completed during December 2007.

16. LACE thus continued to improperly record the deferred billing of \$115,450 to Firm A as 2008 revenue. Because LACE did not properly record the revenues it earned from Firm A, LACE's audited financial statements for 2007, which were provided to the Commission and purportedly prepared in accordance with GAAP, were inaccurate.<sup>6</sup> Because LACE also improperly deferred \$127,500 of 2008 revenue from Firm A into 2009, LACE's 2008 audited financials that it furnished to the Commission also were inaccurate. In October 2009, LACE submitted corrected audited financial statements to the Commission for 2007 and 2008.

17. Putnam and LACE's former President were responsible for ensuring the accuracy of the information provided to the Commission in connection with LACE's NRSRO application and its request for an exemption from the Ten Percent Rule.

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<sup>5</sup> There is a discrepancy of \$1,574.72 between the revenue LACE reported from Firm A in the January 10, 2008 letter (\$119,393) and the amounts reflected on the invoices sent by LACE to Firm A and paid during 2007 (\$117,819.28).

<sup>6</sup> Because its registration became effective in 2008, LACE was first required to furnish audited financial statements to the Commission for the fiscal year ended December 31, 2008. LACE voluntarily provided the Commission with its fiscal year 2007 audited financial statements upon request by the Commission's staff.

18. Putnam knew or should have known that LACE was required to recognize all of the revenue it earned from Firm A for work completed during 2007 as 2007 revenue, and that as a result, the financial information that LACE provided to the Commission in connection with its NRSRO application, its request for an exemption from the Ten Percent Rule, and its 2008 audited financials was inaccurate. Putnam failed to consult with LACE's outside auditor about whether the deferral of revenue from Firm A was appropriate under GAAP. Furthermore, despite LACE's ongoing communications with the Division of Trading and Markets staff regarding LACE's NRSRO application and exemption request, Putnam failed to ensure that the Commission was informed about LACE's deferral of revenue from Firm A.

**B. LACE's Undisclosed, Additional Internal Review for Credit Ratings on Certain Entities**

19. During 2007 and 2008, LACE's process for rating banks, thrifts, and credit unions began with the retrieval of publicly-available financial data on the rated institutions. After this data was uploaded to LACE's computer system, the computer ratings model developed and maintained by Putnam was applied to the data.

20. Using ratings guidelines established by LACE, analysts then reviewed the ratings generated by the computer model. First, the ratings were reviewed by a junior analyst, who marked any computer-generated ratings that he or she thought should be changed. Those changes were then reviewed by a senior analyst, and the two analysts discussed any discrepancies. If the analysts could not reach agreement, they consulted a third analyst or a supervisor, including Putnam or LACE's former President.

21. After the ratings were finalized, they were entered into the LACE system and issued on the LACE Monitoring System, which allowed subscribers to view LACE's credit ratings online.

22. However, LACE performed an extra layer of review of its credit ratings for the banks whose securities were part of the CDO pools managed by Firm A. After completing its normal ratings procedures, but before the ratings were entered into LACE's system and published online, the ratings for these banks were printed as a separate document and were reviewed a third time. During 2007 and 2008, LACE's former President was primarily responsible for performing this extra review.

23. LACE's former President made a significant number of changes to the ratings produced by the firm's normal ratings procedures when performing this extra layer of review on the issuers whose securities were in the CDO pools managed by Firm A. In December 2007, March 2008, and June 2008, for example, there were over 50 changes in each quarter, out of a total of approximately 220 institutions whose securities were in Firm A's CDO pools. Approximately 85 percent of these changes were upgrades from the rating that had been generated by LACE's normal quarterly credit ratings process. These revised ratings were then published online and used in the investor reports that LACE prepared regarding Firm A's CDO pools.<sup>7</sup>

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<sup>7</sup> An analysis showed that, for the December 2008 reports, LACE's rating on the overall creditworthiness of two of Firm A's CDO pools would have been BBB- instead of BBB, had it not been for the ratings changes made during the extra level of review. For the June 2008 reports, one pool that would have received a BBB+ rating without the changes instead received an A rating, and another pool received a BBB+ rating instead of a BBB rating. LACE's

24. Although LACE was required to disclose in its NRSRO application the procedures and methodologies that it used to determine credit ratings, LACE failed to disclose its practice of conducting an extra layer of review for the issuers whose securities were in the CDO pools managed by Firm A. Furthermore, LACE had no written policies and procedures in place governing this extra layer of review.

**C. LACE’s Failure to Retain Emails**

25. During 2008 to mid-2009, LACE had no systems in place to ensure that email messages relating to initiating, determining, maintaining, changing, or withdrawing a credit rating were retained, and, as a result, LACE failed to retain all relevant email messages for that period.

**D. Putnam’s Participation in Rating an Entity in Which He Owned Stock**

26. Although the policy and practice at LACE was for Putnam to recuse himself from discussions regarding the credit ratings for entities in which he owned stock, internal meeting minutes show that in January 2009 Putnam participated in discussing the rating of an entity in the financial services sector whose securities he owned.

**E. Violations**

27. Section 15E(d) of the Exchange Act provides that the Commission shall, by order, censure, place limitations on, suspend, or revoke the registration of any NRSRO if the Commission finds that such action is necessary for the protection of investors and in the public interest and that the NRSRO or any person associated with the NRSRO has, among other things, committed any act specified in Sections 15(b)(4)(A) or (D) of the Exchange Act. Section 15(b)(4)(A) authorizes such sanctions for willful misstatements<sup>8</sup> of material fact in any application for registration or proceeding before the Commission with respect to registration. Section 15(b)(4)(D) authorizes such sanctions for willful violations of the Exchange Act and the rules thereunder. As described above, LACE willfully made misstatements concerning the amount of revenue it received from Firm A in its NRSRO application and its request for an exemption from the Ten Percent Rule.

28. Pursuant to Section 15E(a)(1) of the Exchange Act, a credit rating agency that elects to be treated as an NRSRO:

shall furnish to the Commission an application for registration . . . containing . . . the procedures and methodologies that the applicant uses in determining credit ratings . . . and . . . any other information and documents concerning the applicant . . . as the Commission, by rule, may prescribe as necessary or appropriate in the public interest or for the protection of investors.

29. Rule 17g-1(a) requires a credit rating agency applying for registration as an NRSRO to furnish the Commission with an initial application on Form NRSRO that follows the Form’s instructions. By willfully making misstatements concerning the amount of revenue it

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ratings of the creditworthiness of the four remaining pools were not affected by the ratings changes made during the extra layer of review conducted during these quarters.

<sup>8</sup> A willful violation of the securities laws means merely ““that the person charged with the duty knows what he is doing.”” *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor ““also be aware that he is violating one of the Rules or Acts.”” *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

received from Firm A in its NRSRO application and its request for an exemption from the Ten Percent Rule, LACE violated Section 15E(a)(1) and Rule 17g-1(a). Additionally, the instructions to Exhibit 2 of Form NRSRO require that an applicant or NRSRO provide “a general description of the procedures and methodologies used by the Applicant/NRSRO to determine credit ratings . . . within the classes of credit ratings for which the Applicant/NRSRO is seeking registration . . . The description must be sufficiently detailed to provide users of credit ratings with an understanding of the processes employed by the Applicant/NRSRO in determining credit ratings . . .” LACE violated Section 15E(a)(1) and Rule 17g-1(a) and the instructions to Exhibit 2 of Form NRSRO by failing to disclose in its application that it performed an extra layer of review when determining credit ratings for banks whose securities were part of Firm A’s CDO pools, after those entities already had been rated through LACE’s standard ratings process, which LACE had described in its initial application.

30. The Rating Agency Act amended Section 17(a)(1) of the Exchange Act to add NRSROs to the list of entities required to make and keep such records, and make and disseminate such reports, as the Commission prescribes by rule as necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the Exchange Act. The Commission implemented Rule 17g-2 under this authority. Rule 17g-2(a)(6) requires an NRSRO to make and retain a current and complete record documenting the established procedures and methodologies it uses to determine credit ratings. LACE violated Section 17(a) of the Exchange Act and this rule by failing to maintain records regarding the policies and procedures that governed the extra layer of review performed on the credit ratings issued on the banks whose securities were part of Firm A’s CDO pools.

31. Rule 17g-2(b)(7) requires an NRSRO to retain internal and external communications, including electronic communications, received and sent by the NRSRO and its employees that relate to initiating, determining, maintaining, changing, or withdrawing a credit rating. LACE violated Section 17(a) of the Exchange Act and this rule because it did not retain all emails sent or received by the firm and its employees relating to initiating, determining, maintaining, changing, or withdrawing credit ratings.

32. Exchange Act Section 15E(k) requires an NRSRO to furnish to the Commission such financial statements and information concerning its financial condition as the Commission, by rule, may prescribe as necessary or appropriate in the public interest or for the protection of investors. Rule 17g-3(a)(1) requires an NRSRO to furnish the Commission with annual audited financial reports. LACE violated Section 15E(k) and Rule 17g-3(a)(1) because its 2008 audited financial statements provided to the Commission were inaccurate due to LACE’s improper recording of revenue from Firm A.

33. Exchange Act Section 15E(h)(1) requires an NRSRO to establish, maintain, and enforce written policies and procedures reasonably designed to address and manage conflicts of interest. Rule 17g-5(c)(2) prohibits an NRSRO from having certain conflicts of interest relating to the issuance or maintenance of a credit rating, including issuing or maintaining a credit rating where the NRSRO, an analyst that participated in determining the credit rating, or a person responsible for approving the credit rating owns securities of the entity subject to the credit rating. LACE violated Section 15E(h)(1) and Rule 17g-5(c)(2) because Putnam participated in rating an entity whose stock he owned.



34. As a result of the conduct described above, LACE willfully violated Sections 15E(a)(1), 15E(h)(1), 15E(k), and 17(a) of the Exchange Act and Rules 17g-1(a), 17g-2(a)(6), 17g-2(b)(7), 17g-3(a)(1), and 17g-5(c)(2) thereunder.

35. Putnam, as the majority owner of LACE and a person responsible for LACE's policies, procedures, disclosures in its NRSRO application, and statements made to the Commission staff in connection with LACE's request for an exemption from the Ten Percent Rule, was a cause of LACE's violations.

36. In determining to accept the Offers, the Commission considered the remedial efforts undertaken by LACE and Putnam and cooperation afforded to the Commission staff during its investigation.

#### **IV.**

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

Accordingly, pursuant to Sections 15E(d) and 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondent LACE is censured.

B. Respondents LACE and Putnam cease and desist from committing or causing any violations and any future violations of Sections 15E(a)(1), 15E(h)(1), 15E(k), and 17(a) of the Exchange Act and Rules 17g-1, 17g-2, 17g-3, and 17g-5 thereunder.

C. Respondent LACE shall pay a civil money penalty in the amount of \$20,000 to the United States Treasury. Payment shall be made in the following installments: (a) LACE shall pay \$10,000 within 10 days of the entry of this Order; and (b) LACE shall pay \$10,000 within 180 days of the entry of this Order (“Second Installment”), with post-judgment interest due on the Second Installment. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of civil penalties, plus any additional interest accrued pursuant to 31 U.S.C. § 3717, shall be due and payable immediately, without further application. Payments 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 LACE 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 Antonia Chion, Division of Enforcement, Securities and Exchange Commission, 100 F St., N.E., Washington, D.C. 20549.

By the Commission.

Elizabeth M. Murphy  
Secretary

## Service List

Rule 141 of the Commission's Rules of Practice provides that the Secretary, or another duly authorized officer of the Commission, shall serve a copy of the Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15E(d) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and Cease-and-Desist Orders (Order) on the Respondents and their legal agents.

The attached Order has been sent to the following parties and other persons entitled to notice:

Honorable Brenda P. Murray  
Chief Administrative Law Judge  
Securities and Exchange Commission  
100 F Street, N.E.  
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Jane M.E. Peterson, Esq.  
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