

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

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 3102/November 3, 2010**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-14106**

**In the Matter of**

**GREGORY M. BELL,**

**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 Gregory M. Bell (“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.3 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. In 2001 Bell organized a company in Delaware named Lancelot Investment Management, LLC ("LIM"), which he controlled and managed. Between September 2001 and February 2003 Bell founded three unregistered funds, Lancelot Investors Fund, L.P. ("Lancelot I"), Lancelot Investors Fund II, L.P. ("Lancelot II") and Lancelot Investors Fund, Ltd. ("Lancelot Ltd."), which he then managed and controlled through LIM, the investment advisor for the three funds. Bell was the sole principal of LIM and managed the investments of the three funds in exchange for compensation. Bell, 45 years old, resided in Highland Park, Illinois until his arrest in July 2009.

2. On July 8, 2009, the United States filed a sealed criminal complaint against Bell in U.S. v. Bell, No. 09-cr-269 (D. Minn.). On September 17, 2009 the United States filed an Information that charged Bell with wire fraud based on his engineering between February 26, 2008 and September 24, 2008, approximately 86 sham "round-trip" banking transactions that gave the investors in the Lancelot funds the false impression that the securities in which he invested were paying in a timely manner. (Id., Doc. No. 34) On October 7, 2009 Bell pleaded guilty to this charge of intentionally defrauding the investors in the three Lancelot funds. (Id., Doc. Nos. 40, 41, 42) On September 30, 2010 Bell was sentenced for the conduct set forth by the criminal authorities.

3. On July 8, 2009 the Commission filed a complaint in the U.S. District Court for Minnesota against Bell, LIM, and other Defendants and Relief Defendants. The Commission's complaint similarly alleged that Bell concocted the series of sham "round trip" transactions to conceal the investments' delinquencies and, further, that Bell had funded these roundtrip transactions with new investor money he was raising in the first half of 2008. The Commission's complaint further alleged that while Bell and LIM engaged in these bogus roundtrip transactions, they continued to send the Funds' investors monthly statements that reported continuing profits from investments in the securities. Finally, the complaint alleged that from February 2008 until the collapse of the scheme in September 2008, Bell and LIM wrongfully withdrew approximately \$40 million from the Lancelot Funds. On July 9, 2009 the Court entered a temporary restraining order and an order imposing an asset freeze on the assets under the control of Bell, LIM and the Relief Defendants. The Court extended this Order to a preliminary injunction on July 24, 2009. On October 5, 2010 the Court entered a permanent injunction against Bell, LIM and Relief Defendant the Gregory Bell Revocable Trust for the conduct set forth in the Commission's complaint.

### IV.

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

Accordingly, it is hereby ORDERED:

Pursuant to Section 203(f) of the Advisers Act, that Respondent Bell 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.

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 Proceedings Pursuant to Section 203(f) of the Investment Advisers Act of 1940, Making Findings and Imposing Remedial Sanctions ("Order") on the Respondent and his legal agent.

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.  
Washington, DC 20549-2557

Sally Hewitt, Esq.  
Chicago Regional Office  
United States Securities and Exchange Commission  
175 W. Jackson Boulevard, Suite 900  
Chicago, IL 60604

Mr. Gregory M. Bell  
c/o Vincent Paul Schmeltz, Esq.  
Dewey & LeBouef LLP  
Two Prudential Plaza  
180 North Stetson Avenue  
Suite 3700  
Chicago, IL 60601-6710

Vincent Paul Schmeltz, Esq.  
Dewey & LeBouef LLP  
Two Prudential Plaza  
180 North Stetson Avenue  
Suite 3700  
Chicago, IL 60601-6710  
(Counsel for Respondent)