

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

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 3117 / December 1, 2010**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-14147**

**In the Matter of**

**NEIL GODBOLE,**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS,  
PURSUANT TO SECTIONS 203(f) AND 203(k)  
OF THE INVESTMENT ADVISERS ACT OF  
1940, MAKING FINDINGS, AND IMPOSING  
REMEDIAL SANCTIONS AND 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(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), against Neil Godbole (“Godbole” 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, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(f) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds<sup>1</sup> that

#### **Summary**

These proceedings involve Respondent's efforts to hide large trading losses in Opulent Lite, LP, a hedge fund he managed with approximately \$30 million in assets and 70 investors. In the February 2008 trading period, the fund suffered \$8.3 million in losses. For the remainder of 2008, Godbole unsuccessfully tried to "make up" the loss. In the end, Opulent Lite suffered a total of \$14.5 million in trading losses in 2008. Investors were unaware of the losses throughout 2008 because Godbole misstated both trading results and the fund's assets in materials he authored and sent to investors. In February 2009, Godbole finally disclosed the fund's losses and its true financial conditions to investors. The majority of investors sought to withdraw their funds and by March 2009, the fund was liquidated.

#### **Respondent**

1. Respondent Godbole, age 29, lives in San Francisco, California. He was the sole principal and owner of Trueblue Strategies, and was wholly responsible for managing Opulent Lite, including its trading and recordkeeping. He holds a Series 65 license.

#### **Other Relevant Entities**

2. Trueblue Strategies, LLC, a California limited liability company, was an investment adviser located in San Francisco, California. The firm was registered as an investment adviser with the California Department of Corporations; it has since filed for withdrawal with the state as an investment adviser. It was the investment adviser for Opulent Lite, LP.

3. Opulent Lite, LP, a California limited partnership, was a hedge fund located in Saratoga, California. It had approximately 70 investors and assets under management of approximately \$30 million.

#### **Background**

4. Beginning in 2005, Godbole managed Opulent Lite through Trueblue Strategies. He was solely responsible for all of the fund's business operations, including trading

---

<sup>1</sup> 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.

decisions, record-keeping, and communications with investors. At its peak, the fund had approximately \$30 million in assets under management and 70 investors.

5. Until 2008, Godbole's trading strategy was to invest most of the funds in short-term treasury bonds which would mature at the end of the fund's monthly trading period. The remainder of the cash was invested in S&P index options which would expire at the end of the monthly trading period.

6. During the February 2008 trading period, Godbole lost approximately \$8.3 million as a result of a series of highly unprofitable trades. He failed, however, to disclose the loss. He also misrepresented the new total value of the fund, telling investors the fund had a value of \$28.7 million, rather than the accurate \$18.5 million.

7. In an effort to make up losses, and to stem further losses, Godbole began to use what he called a "rollover" strategy. Prior to 2008, Godbole ended each monthly trading period fully in cash. In 2008, however, he began to open option positions toward the end of the trading period. Instead of expiring at the end of the monthly trading period, the option contracts had expiration dates extending into the next trading periods. The "rollover" strategy did not, in fact, stem losses.

8. Throughout 2008, Godbole continued to misrepresent the fund's trading results and asset value. He repeatedly underreported Opulent Lite's trading losses to investors. For example, in September, Godbole reported trading losses of \$859,000, when in fact the fund had lost \$4 million; at the same time, he reported the fund's asset value as \$29 million, when in reality it had fallen to \$19 million. Even in the few months when the fund experienced gains, Godbole underreported those gains, allowing him to smooth the fund's returns and conceal the losses he had failed to report previously. By December 2008, when Godbole had informed investors that the fund had an asset value of over \$26 million, the fund had actually fallen below \$14.4 million in assets – an 81% overstatement.

9. In addition to misrepresenting the value of the fund, Godbole also misrepresented the reason for the losses he did disclose. In early 2008, Godbole implemented what he called a "rollover strategy," with option positions remaining open at the end of each monthly reporting period (rather than ending each month fully in cash, as the fund had previously done). During several trading periods throughout 2008, Godbole blamed the losses on the "rollover strategy," minimizing these declines as merely artificial "paper" losses or "projected" losses tied to open option positions. In reality, these losses represented actual, realized trading losses.

10. During the year, Godbole caused the fund to pay his management fees based on the inflated fund value. In addition, he caused the fund to redeem units at the inflated value, to the detriment of investors who remained in Opulent Lite as well as the fund itself.

11. In February 2009, Godbole informed investors of the accurate results for 2008, disclosing both accurate trading losses and the fund's value. He also reimbursed the fund for overpayment of management fees. Although Godbole disclosed that actual losses were

incurred in early 2008, he attributed the losses for the year to the “rollover strategy” when actually there were additional realized losses throughout 2008. The fund was fully liquidated by March 2009.

12. As a result of the conduct described above, Godbole willfully violated Sections 206(1) and (2), which prohibit fraudulent and misleading conduct by an investment adviser. He also willfully violated Section 206(4) and Rule 206(4)-8 thereunder by providing false information to the fund’s 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’s Offer.

Accordingly, pursuant to Sections 203(f) and 203(k) of the Advisers Act, it is hereby ORDERED that:

A. Respondent Godbole cease and desist from committing or causing any violations and any future violations of Sections 206(1), 206(2), and 206(4) of the Advisers Act, and Rule 206(4)-8 promulgated thereunder;

B. Respondent Godbole be, and hereby is, barred from association with any investment adviser, with the right to reapply for association after five (5) years to the appropriate self-regulatory organization, or if there is none, to the Commission;

C. 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.

D. Respondent Godbole shall, within 30 days of the entry of this Order, pay a civil money penalty in the amount of \$40,000. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. 3717. 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 Neil Godbole 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 Marc J. Fagel, San Francisco Regional Office, Securities and Exchange Commission, 44 Montgomery, Suite 2600, San Francisco, California 94104.

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 Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 203(f) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and Cease-and-Desist Order (“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

Catherine Whiting, Esq.  
United States Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Mr. Neil Godbole  
c/o Jahan Raissi, Esq.  
Shartsis Friese LLP  
One Maritime Plaza, 18<sup>th</sup> Fl.  
San Francisco, CA 94111-3598

Jahan Raissi, Esq.  
Shartsis Friese LLP  
One Maritime Plaza, 18<sup>th</sup> Fl.  
San Francisco, CA 94111-3598