

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

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 2897 / June 29, 2009**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-13531**

**In the Matter of**

**JOHN M. DONNELLY,**

**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 John M. Donnelly (“Donnelly” 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 Section III.2 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. Donnelly was the president and sole owner of unregistered investment advisers Tower Analysis, Inc. ("Tower Analysis"), Nasco Tang Corp. ("Nasco Tang"), and Nadia Capital Corp. ("Nadia Capital"). Donnelly, 52 years old, is a resident of Crozet, Virginia.

2. On June 5, 2009, a judgment was entered by consent against Donnelly, permanently enjoining him from future violations of Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder, in the civil action entitled Securities and Exchange Commission v. John M. Donnelly, et al., Civil Action Number 3:09-CV-00015, in the United States District Court for the Western District of Virginia.

3. The Commission's complaint alleged that from 1998 to March 2009, Donnelly engaged in a Ponzi scheme to defraud investors by paying false returns to certain investors out of principal received from other investors. Donnelly orchestrated the scheme through entities he controlled, including Tower Analysis, Nasco Tang, and Nadia Capital. During the relevant period, Donnelly falsely represented to investors that he would pool their funds to trade in, among other things, stock and bond index derivatives, and claimed to generate annual investment returns of as much as 22%. In fact, Donnelly did almost no securities trading. To maintain the fraudulent scheme, Donnelly sent monthly statements to investors showing fictitious returns and sent annual tax forms to investors, causing them to pay income taxes on these fictitious returns. Donnelly misused and misappropriated investor funds, and during the period from December 2005 through December 2008, paid himself over \$1 million in fees and salary from Nasco Tang.

### IV.

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

Accordingly, it is hereby ORDERED:

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