

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

SECURITIES EXCHANGE ACT OF 1934  
Release No. 54497/September 25, 2006

INVESTMENT ADVISERS ACT OF 1940  
Release No. 2553/September 25, 2006

ADMINISTRATIVE PROCEEDING  
File No. 3-12355

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In the Matter of	:	
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VERITAS FINANCIAL ADVISORS, LLC,	:	ORDER MAKING FINDINGS AND
VERITAS ADVISORS, INC. ,	:	IMPOSING REMEDIAL SANCTIONS
PATRICK J. COX, and	:	AND CEASE-AND-DESIST ORDER BY
RITA A. WHITE	:	DEFAULT AGAINST RITA A. WHITE

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The Securities and Exchange Commission (Commission) issued its Order Instituting Proceedings (OIP) on July 5, 2006. Respondent Rita A. White (White) was served with the OIP on July 10, 2006, and her Answer was due twenty days later. See OIP at 10; 17 C.F.R. § 201.220. On July 17, 2006, I ordered White to file an Answer on or by August 14, 2006. White did not file an Answer by that date, nor did she request an extension of time to do so.

On August 28, 2006, the Division of Enforcement (Division) filed a motion for default against White, based on her failure to Answer the OIP. On August 29, 2006, I ordered White to show cause, on or by September 11, 2006, why she should not be held in default and why she should not be: (1) barred from association with an investment adviser; (2) subjected to a cease-and-desist order; (3) ordered to pay disgorgement, plus prejudgment interest; and (4) ordered to pay a civil penalty. I further ordered that any response must include White's Answer to the OIP.

To date, White has failed to file an Answer to the OIP and failed to respond to the Division's motion for default and to my show cause order. Additionally, White failed to appear at a prehearing conference held on September 20, 2006. As such, White is in default for failing to file an Answer, appear at a prehearing conference, and otherwise defend the proceeding. See 17 C.F.R. §§ 201.155(a), .220(f), .221(f). As authorized by Rule 155(a) of the Commission's Rules of Practice, and upon consideration of the record, I deem the following allegations in the OIP to be true, only as to White.

## **Respondents**

Veritas Financial Advisors, LLC (Veritas Financial), a Massachusetts limited liability company, is located in Boston, Massachusetts. Veritas Financial was formed on or about January 30, 2004, and it has been registered with the Commission as an investment adviser pursuant to Section 203(a) of the Investment Advisers Act of 1940 (Advisers Act) since on or about March 4, 2004.

Veritas Advisors, Inc. (Veritas Advisors), a Massachusetts corporation, is located in Boston, Massachusetts. Veritas Advisors was formed on or about November 2, 1993, and was registered with the Commission as an investment adviser pursuant to Section 203(a) of the Advisers Act from at least August 31, 1998, through July 31, 2001, when the Commission cancelled its registration because Veritas Advisors ceased making required filings with the Commission. Thereafter and through at least April 2005, Veritas Advisors continued to be an investment adviser within the meaning of Section 202(a)(11) of the Advisers Act.

Patrick J. Cox (Cox), age 50, resides in Wellesley, Massachusetts. Cox has been the sole owner and principal of both Veritas entities since their formation, and at all relevant times he was a person associated with an investment adviser pursuant to Section 202(a)(17) of the Advisers Act. He is a licensed Certified Public Accountant in the State of Ohio, although his license is inactive.

White, age 37, resides in Boston, Massachusetts. Between at least January 1999 and March 2005, White was an employee of Veritas Advisors who performed bookkeeping and other administrative tasks. At all relevant times, White was a person associated with an investment adviser pursuant to Section 202(a)(17) of the Advisers Act.

## **Summary**

This matter involves fraudulent schemes through which Veritas Advisors, Cox, and White collectively misappropriated at least \$2,500,000 from a female client, currently age 57 and residing in Brookline, Massachusetts, who sought Veritas Advisors' services as she was going through a divorce and looking for someone she could trust to manage her financial affairs (the "Client"). From at least March 1998 through March 2005, Cox made unauthorized transfers of at least \$1,200,000 from at least three of the Client's bank or investment accounts to himself or to Veritas Advisors. From at least January 1999 through March 2005, White misappropriated at least \$1,300,000 from at least one of the Client's bank accounts for her own use.

Both Veritas entities, which were controlled solely by Cox at all relevant times, also fraudulently failed to disclose their precarious financial condition to clients, and they did not maintain certain required books and records for investment advisers. Veritas Advisors also did not maintain proper custody of client funds.

As a result of the foregoing, Veritas Financial, Veritas Advisors, Cox, and White variously willfully violated or willfully aided and abetted and caused violations of the antifraud and other provisions of the Securities Exchange Act of 1934 (Exchange Act) and Advisers Act.

## **The Veritas Entities and Their Investment Advisory Services**

From its formation on or about November 2, 1993, until it ceased operating in or about April 2005, Veritas Advisors continuously provided a range of financial and investment advisory services to clients, which included tracking client investments, advising clients on the tax consequences of investments, selecting, interacting with and evaluating investment managers, paying bills for clients, tax return preparation and tax and estate planning. In the course of providing these services, Cox, as Veritas Advisors' principal, had varying amounts of discretion over client bank and brokerage accounts, including, in some cases, authority to transfer funds from client accounts and purchase or sell securities in client accounts.

During the foregoing period, Cox informed Veritas Advisors clients about several investment opportunities in which the clients ultimately invested, including a venture operated by Cox's brother to market instructional golf videotapes, and two hedge funds managed by a college acquaintance of Cox. Some clients discussed potential investments with Cox, as Veritas Advisors' principal, while other clients sought investment advice from Cox.

During the foregoing period, clients compensated Veritas Advisors by paying a flat fee for all of its services.

In October 1998, the Securities Division of the Secretary of the Commonwealth of Massachusetts (Securities Division) entered a consent order against Veritas Advisors and Cox, which found that, from 1994 through 1998, Veritas Advisors and Cox had provided investment advisory services while not being registered as investment advisers. The Securities Division censured them, required them to register with the Securities Division and the Commission, and ordered Veritas Advisors to pay back registration fees and administrative costs.

On or about August 31, 1998, Veritas Advisors registered with the Commission as an investment adviser (SEC File Number 801-55833).

After 1999, Veritas Advisors ceased making the filings with the Commission that were necessary to maintain its registration as an investment adviser. The Commission cancelled Veritas Advisors' investment adviser registration on or about July 31, 2001. Thereafter and through at least April 2005, Veritas Advisors continued to provide the same investment advisory services to clients as described above, and Cox, as Veritas Advisors' principal, had equal or greater discretion over client bank and brokerage accounts.

On or about January 30, 2004, Cox formed Veritas Financial as an investment advisory business. Veritas Financial registered with the Commission as an investment adviser on or about March 4, 2004 (CRD Number 130614; SEC File Number 801-62868). It has not withdrawn its registration to date, although it has not made requisite filings with the Commission since at least March 31, 2005.

Between at least January 30, 2004, and March 31, 2005, the Veritas entities had some common clients and personnel and provided similar services, and, by their own terms, the code

of ethics and compliance manual that Veritas Financial adopted in or about October 2004 also applied to Veritas Advisors employees.

On or about March 31, 2005, all employees of Veritas Advisors and Veritas Financial, excluding Cox, resigned.

### **Misappropriation of Client Funds by Veritas Advisors and Cox**

Between at least March 1998 and March 2005, there were more than fifty unauthorized transfers of cash, totaling at least \$1,200,000, from at least three of the Client's bank or investment accounts to Veritas Advisors and Cox.

The majority of the unauthorized transfers to Veritas Advisors and Cox occurred through checks drawn on the Client's personal checking account (checking account) and deposited into either the Veritas Advisors operating account or Cox's personal checking account. Most of the checks were "signed" with a stamp copy of the Client's signature (signature stamp). The Client had arranged for Veritas Advisors to pay her household expenses from her checking account, and Veritas Advisors kept the signature stamp at its offices for that purpose. In some cases, Cox, who was a signatory on the Client's checking account, signed the checks.

A few of the unauthorized transfers to Veritas Advisors and Cox were made by wire. The wire transfers originated from one of three of the Client's accounts—her checking account, an investment account, and, in one instance, a charitable remainder trust account. These transfers occurred pursuant to written requests from Veritas Advisors that were signed by Cox.

The Client's investment account (bond account) consisted of bonds that had to be sold in order to generate cash. During the relevant period, there were at least monthly transfers of cash from the Client's bond account (following the sale of bonds) to her checking account. These transfers all were made by wire at the direction of Veritas Advisors, and Cox signed the wire transfer requests. Cox knew of these transfers and also knew that bonds in the bond account had to be sold in order to generate the cash that was transferred to the checking account and, in some cases, directly to Veritas Advisors and Cox.

At all relevant times, Cox continuously withdrew funds from the Veritas Advisors operating account by making checks payable to himself and depositing them into his personal checking account. Therefore, Cox personally benefited from at least some of the cash transfers from the Client's accounts to Veritas Advisors.

The Client did not authorize the transfers to Veritas Advisors and Cox that are identified in Exhibit A to the OIP. Although Cox had limited authority to transfer funds from the Client's accounts (e.g., for the payment of her household expenses), he could not use that authority to transfer funds for his personal benefit or that of Veritas Advisors.

During most, if not all, of the foregoing period, the Veritas entities and Cox were experiencing significant financial problems that were reasonably likely to impair their ability to provide services to clients and that should have been disclosed to clients pursuant to Rule

206(4)-4 of the Advisers Act but were not disclosed. For example, Veritas Advisors' rent for the office space it leased was in arrears. There also were numerous cash shortfalls in the Veritas Advisors operating account. Veritas Advisors did not have sufficient funds to pay the salaries of its employees for March 2005. Veritas Financial similarly was thinly capitalized and relied on Veritas Advisors to pay all of its expenses, including filing fees for its registration with the Commission as an investment adviser. Veritas Advisors and Cox misappropriated funds from the Client to alleviate these and other financial problems.

### **Misappropriation of Client Funds by White**

Between at least January 1999 and March 2005, White misappropriated at least \$1,300,000 from the Client.

During the foregoing period, White used an average of at least five checks per month from the Client's checking account for the payment of her own personal expenses. White used many of the checks for the payment of her credit card balances. In turn, White routinely used these credit cards to purchase jewelry, designer clothing and handbags, home improvement items and other non-essential items. White made other of the Client's checks payable directly to herself and deposited these checks into White's personal checking account.

All of the above checks, whether to White or her credit card companies, were "signed" with the Client's signature stamp. At all relevant times, White handled bill payment for Veritas Advisors clients who used that service, including the Client, and White had access to the Client's checks and signature stamp. The Client did not authorize White's use of the signature stamp or checks from the Client's account for White's benefit or for the payment of White's expenses.

White concealed her unauthorized use of the Client's checks by making entries in an electronic register for the Client's checking account, which White maintained, appear as though these checks were being used to pay the Client's legitimate expenses. For example, many ledger entries erroneously reflect that certain payments, which actually were made to White's credit card companies, were made to one of the Client's credit card companies. Other ledger entries corresponding to checks made payable to White or her credit card companies incorrectly describe the payments as being donations to charitable organizations. Moreover, in or about March and/or April 2005, after the Division's investigation began and she became aware of the investigation, White altered additional entries in the electronic register in a further attempt to conceal her unlawful activities.

As noted above, during the relevant period, there were at least monthly transfers of cash from the Client's bond account (following the sale of bonds) to the Client's checking account. White knew about these transfers and also knew that bonds in the bond account had to be sold in order to generate the cash that was transferred to the checking account, where it was misappropriated by White. White faxed wire transfer requests from Veritas Advisors to the bank, and the bank then notified White once the transfers occurred. White also recorded the transfers from the bond account to the checking account in the transaction register for the Client's checking account.

### **Other Violations**

Between at least July 31, 2001, when it ceased being registered with the Commission as an investment adviser, and April 2005, Veritas Advisors, which was controlled by Cox, was in the business of providing investment advice for compensation without being registered with the Commission as required by Section 203(a) of the Advisers Act and rules thereunder. During the foregoing period, Veritas Advisors had at least fifteen clients and at least \$25,000,000 in assets under management, and no statutory exemptions from the registration requirement or prohibitions on registration applied.

### **Conclusions and Sanctions**

As a result of the conduct described above, White willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

In light of the foregoing, and after weighing all relevant sanction considerations including the public interest, I conclude that it is necessary and appropriate that White be: (1) barred from association with any investment adviser; (2) ordered to cease and desist from committing or causing any violations or future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder; (3) ordered to pay disgorgement of \$1,300,000, plus prejudgment interest; and (4) ordered to pay a civil penalty of \$100,000.

### **ORDER**

Based on the foregoing:

IT IS ORDERED that, pursuant to Section 203(f) of the Investment Advisers Act of 1940, Rita A. White is hereby barred from association with any investment adviser;

IT IS FURTHER ORDERED that, pursuant to Section 21C of the Securities Exchange Act of 1934, Rita A. White shall cease and desist from committing or causing any violations or future violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder;

IT IS FURTHER ORDERED that, pursuant to Sections 21C of the Securities Exchange Act of 1934 and 203(j) of the Investment Advisers Act of 1940, Rita A. White shall disgorge the sum of \$1,300,000, plus prejudgment interest computed as set forth in Rule 600 of the Commission's Rules of Practice, with prejudgment interest beginning to run on April 1, 2005; and

IT IS FURTHER ORDERED that, pursuant to Section 203(i) of the Investment Advisers Act of 1940, Rita A. White shall pay a civil penalty of \$100,000.

Payment of the civil penalty, disgorgement, and prejudgment interest shall be made by wire transfer, certified check, United States postal money order, bank cashier's check, or bank money order, payable to the Securities and Exchange Commission. The payments, and a cover

letter identifying the Respondents and the proceeding designation, shall be delivered to the Comptroller, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop O-3, Alexandria, Virginia 22312. A copy of the cover letter and the instrument of payment shall be sent to the Commission's Division of Enforcement, directed to the attention of counsel of record.

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Lillian A. McEwen  
Administrative Law Judge