

Recent Resolutions of SEC Enforcement Actions Against Private Equity Advisors

Date	Category	Summary	Penalty	Disgorgement and Prejudgment Interest	Imposition of Undertakings or Consultants	Relevant Statutory or Regulatory Violations									
						EA 10(b) or SA 17(a)(1)	17(a)(2) or (3)	AA 206(1)	AA 206(2)	206(A)8	206(A)7	AA 207	206(A)2	Other	
11-Mar-13	Valuation; disclosures	Representing that a fund investment was valued based on the underlying managers estimated values when actually valued at a significant undisclosed markup to those estimates.	Contact Proskauer for additional information.			X			X	X					
22-Sep-14	Expense allocation	Improperly sharing expenses between portfolio companies in separate funds in a manner that benefited one fund over the other.	Contact Proskauer for additional information.						X		X				
29-Jun-15	Broken deal expenses	Failing to disclose that the adviser did not allocate any “broken deal” expenses to co-investors, including affiliated co-investors, despite their participation in the investments incurring those expenses.	Contact Proskauer for additional information.						X		X				
7-Oct-15	Monitoring fees; conflicts of interest	Failing to disclose the practice of accelerated monitoring fees until after those fees were taken. Failing to disclose that a manager negotiated a greater discount on legal services for itself than for its funds.	Contact Proskauer for additional information.						X	X	X				
3-Nov-15	Monitoring fees; conflicts of interest	Failing to disclose that portfolio company monitoring fees were shifted to a new entity and would no longer be offset against management fees. Failing to disclose conflicts of interest when fund and portfolio company assets were used for payments to former firm employees and an affiliated entity.	Contact Proskauer for additional information.						X	X					
5-Nov-15	Expense allocation	Allocating legal and compliance expenses stemming from regulatory obligations as registered investment advisors to client funds without explicitly disclosing the same.	Contact Proskauer for additional information.						X	X	X				
23-Nov-15	Conflicts of interest; disclosures	Failing to disclose potential conflicts created by loans senior to fund investments and cross-over investments. Failing to disclose when certain concentration limits were exceeded.	Contact Proskauer for additional information.						X	X					

Recent Resolutions of SEC Enforcement Actions Against Private Equity Advisors

Date	Category	Summary	Penalty	Disgorgement and Prejudgment Interest	Imposition of Undertakings or Consultants	Relevant Statutory or Regulatory Violations								
						EA 10(b) or SA 17(a)(1)	17(a)(2) or (3)	AA 206(1)	AA 206(2)	206(A)8	206(4)7	AA 207	206(4)2	Other
1-Jun-16	BD Registration / reporting violations; expense allocation; conflicts of interest	Engaging in brokerage activity and charging fees without registering as a broker-dealer. Failing to disclose conflicted transactions, including where operating fees were paid to adviser Improperly using fund assets for political contributions and entertainment related expenses.	Contact Proskauer for additional information.					X	X	X				Section 15(a) of the Securities Exchange Act
23-Aug-16	Monitoring fees; conflicts of interest; failure to supervise	Failing to adequately disclose prior to the capital commitment that future monitoring fees could be accelerated upon termination of the monitoring agreements. Failing to adequately disclose the allocation of loan interest. Failing to supervise a senior partner who improperly charged personal expenses to advised funds.	Contact Proskauer for additional information.					X	X	X				Section 203(e)(6) of the Advisers Act
24-Aug-16	Transaction fee offsets	Failing to disclose that adviser retained all transaction fees which would have otherwise been allocated to co-investors for purposes of offsetting management fees (this practice resulted in fewer transaction fees being offset against management fees than if these fees had been allocated pro rata among the funds).	Contact Proskauer for additional information.					X	X					
14-Sep-16	Conflicts of interest	Failing to disclose conflicts of interest arising from (1) structuring an investment so that additional fees and expenses charged to the funds allowed the managing entity to avoid other fees and, (2) accepting a discount from an outside law firm without passing that benefit through to the funds.	Contact Proskauer for additional information.					X	X	X				Section 206(4) of the Investment Advisers Act of 1940
17-Jan-17	Pay-to-play	Making contributions to elected officials within two years of providing investment advice to pension funds over which those officials had influence.	Contact Proskauer for additional information.											Section 206(4) of the Investment Advisers Act of 1940 and Rule 206(4)-5 thereunder
7-Feb-17	Improper fees; conflicts of interest	Failing to disclose the existence of service fees for over 8 years and associated conflicts of interest with awarding those fees to an affiliate of the general partner.	Contact Proskauer for additional information.				X	X	X					

Recent Resolutions of SEC Enforcement Actions Against Private Equity Advisors

Date	Category	Summary	Penalty	Disgorgement and Prejudgment Interest	Imposition of Undertakings or Consultants	Relevant Statutory or Regulatory Violations								
						EA 10(b) or SA 17(a)(1)	17(a)(2) or (3)	AA 206(1)	AA 206(2)	206(A)8	206(A)7	AA 207	206(A)2	Other
25-Jul-17	Registration / reporting violations; expense allocation	Claiming exemption from AA reporting requirements where the fund was under common control and operationally integrated with a non-exempt fund and related violations. Improper use of fund assets to pay legal fees incurred in connection with the SEC investigation.	Contact Proskauer for additional information.					X	X	X	X	X		Section 203(a) of the Advisers Act; Section 205(a)(1) of the Advisers Act
11-Sep-17	Expense allocation; fee offsets; related party transaction conflicts	Improperly using fund assets for (1) adviser-related expenses and (2) services provided by adviser affiliates to portfolio companies. Failing to offset portfolio company fees against management fees. Failing to disclose related-party transactions.	Contact Proskauer for additional information.					X	X	X	X	X		
21-Sep-17	Broken deal expenses	Failing to adequately disclose that the funds would pay all “broken deal” expenses, including those for portions of the investment attributable to co-investors.	Contact Proskauer for additional information.					X		X				
21-Dec-17	Monitoring fees	Failing to adequately disclose accelerated monitoring fees in marketing documents and fund agreements.	Contact Proskauer for additional information.					X	X	X				
24-Apr-18	Conflicts of interest	Failing to disclose conflicts of interest where the management company received a share of the revenue from a service provider used by its portfolio companies.	Contact Proskauer for additional information.					X	X					
17-Jul-18	Custody Rule	Failing to timely distribute annual audited financial statements for six consecutive years under audit exception to custody rule.	Contact Proskauer for additional information.							X		X		

Recent Resolutions of SEC Enforcement Actions Against Private Equity Advisors

Date	Category	Summary	Penalty	Disgorgement and Prejudgment Interest	Imposition of Undertakings or Consultants	Relevant Statutory or Regulatory Violations								
						EA 10(b) or SA 17(a)(1)	17(a)(2) or (3)	AA 206(1)	AA 206(2)	206(A) 8	206(A) 7	AA 207	206(A) 2	Other
19-Jul-18	Conflicts of interest	Failing to disclose a personal conflict of interest where a principal arranged for an adviser-managed fund to invest in a subsidiary of a portfolio company on the condition that a portion of the investment proceeds be used to purchase a personal investment from the principal.	Contact Proskauer for additional information.					X						
7-Sep-18	Disclosures	Failing to inform the limited partners that the value of a fund's assets materially increased between the managing general partner's first offer to repurchase the limited partners' partnership interests and his second offer.	Contact Proskauer for additional information.							X				
16-Oct-18	Valuation; disclosures	Constructing fraudulent transaction to misappropriate funds from insurance companies and reinsurance trusts that were controlled by the private equity firm. Selling securities based on those insurance companies and reinsurance trusts to advisory clients at overstated valuations, without fully disclosing related-party conflicts and over valuation.	Contact Proskauer for additional information.			X		X	X					Section 206(3) of the Investment Advisers Act of 1940.
13-Dec-18	Conflicts of interest; expense allocation	Failing to disclose the managing general partner's practice of charging the funds it managed for the cost of certain in-house employees who assisted in preparing the funds' tax returns. Failing to disclose its arrangements with, and investments in, two third-party service providers that resulted in expense allocation decisions that posed actual and potential conflicts of interest.	Contact Proskauer for additional information.					X	X	X				
17-Dec-18	Expense allocation	Allocating compensation-related expenses generated by a particular business unit to certain private equity funds without accounting for the fact that the employees that comprised that unit also spent a percentage of their time on activities unrelated to those private equity funds, which should have been born by the adviser.	Contact Proskauer for additional information.					X	X	X				

Recent Resolutions of SEC Enforcement Actions Against Private Equity Advisors

Date	Category	Summary	Penalty	Disgorgement and Prejudgment Interest	Imposition of Undertakings or Consultants	Relevant Statutory or Regulatory Violations									
						EA 10(b) or SA 17(a)(1)	17(a)(2) or (3)	AA 206(1)	AA 206(2)	206(A)8	206(A)7	AA 207	206(A)2	Other	
26-Dec-18	Expense allocation; fee offsets	Allocating various expenses only to certain funds, without disclosing that other funds and co-investors would not be allocated a proportional share of these expenses. Failing to properly offset management fees in connection with undisclosed "fee-sharing agreements" with certain co-investors.			Contact Proskauer for additional information.				X	X	X				
26-May-19	Fee offsets; related-party loans; expense allocation	Failing to offset certain retroactive "deemed contributions" against the corresponding managements fees, as prescribed in the LPA. Improperly using assets from an advised fund as a loan in order to pay certain adviser expenses. Improperly calculating and classifying certain expenses (some of which had not yet been incurred). Failing to comply with the Custody Rule.			Contact Proskauer for additional information.				X	X	X		X		

Contacts



Joshua Newville, Partner
+1-212-969-3336
jnewville@proskauer.com



Samuel Waldon, Partner
+1-202-416-6858
swaldon@proskauer.com



Brian Hooven, Associate
+1-212-969-3212
bhooven@proskauer.com



Howard Beber, Partner
+1-617-526-9754
hbeber@proskauer.com



Steven Mears, Partner
+1-617-526-9775
smears@proskauer.com



Timothy Mungovan, Partner
+1-617-526-9412
tmungovan@proskauer.com