

>>>FAIRVIEW FLASH REPORT<<<

Unregistered Fund Manager Charged with Violating Anti-Fraud Rules

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| WHAT HAPPENED? | <p>On February 2, 2017, the SEC filed charges against Sentinel Growth Fund Management, LLC (“Sentinel”) and Sentinel’s unregistered fund manager for the misappropriation of at least \$3.95 million of investor assets from two private funds they advise, the Radar Alternative Fund LP (“Radar LP”) and the Radar Alternative Master Fund SPC (“Radar SPC”) (collectively, the “Funds”). Instead, Sentinel and its fund manager used the investors’ money to pay personal expenses, business expenses, and prior investors.</p> |
| WHAT ARE THE IMPLICATIONS? | <p>The SEC alleges that Sentinel and its fund manager initiated their misappropriation scheme by purporting to offer clients an investment platform managed by hedge fund managers (“the Allocation Managers”). The platform utilized a master fund that included specific series where Sentinel and its fund manager would allocate clients’ assets.</p> <p>Sentinel and its fund manager falsely claimed that the investors’ assets were allocated in the Funds or in separately managed accounts sub-advised by Allocation Managers. However, the assets were never invested in the intended accounts and were withdrawn from the Funds. Sentinel and its fund manager used the withdrawals and commingling of their assets with investors’ assets to ultimately fund personal and business expenses. These activities also allowed Sentinel and its fund manager to misrepresent the status of and returns on clients’ investments.</p> <p>Due to the above activities, the SEC alleges that Sentinel and its fund manager violated the following rules:</p> <ul style="list-style-type: none">• Rule 10b-5 of the Exchange Act for fraud in relation to the purchase or sale of securities;• Section 17(a) of the Securities Act for fraud in the offer or sale of securities;• Sections 206(1) and 206(2) of the Advisers Act for fraudulent conduct by an investment adviser; and• Section 206(4)-8 of the Advisers Act for fraudulent conduct by an investment adviser to a pooled investment vehicle. |

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| | <p>The SEC has requested that a permanent injunction be issued prohibiting Sentinel and its fund manager from additional violations of federal securities laws. Furthermore, the SEC seeks disgorgement of the defendants' wrongful gains and civil penalties for the nefarious nature of the violations.</p> |
| WHAT DOES THIS MEAN FOR ME? | <p>The SEC's charges exemplify how anti-fraud rules can be applied to fund managers regardless of their registration status. Fairview assists clients in preparing for registration and in meeting the requirements set forth by the Advisers Act. If you have any questions or concerns regarding the SEC's charges and how it relates to your firm's business, please feel free to contact Fairview.</p> |

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Sources: <http://www.sec.gov/litigation/complaints/2017/comp-pr2017-40.pdf>