

## BrokerCheck Report

**JOSEPH ALEXANDER SCHLIM**

CRD# 2502404

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When communicating online or investing with any professional, make sure you know who you're dealing with. [Imposters](#) might link to sites like BrokerCheck from [phishing](#) or similar scam websites, or through [social media](#), trying to steal your personal information or your money.

Please contact FINRA with any concerns.

## About BrokerCheck®



BrokerCheck offers information on all current, and many former, registered securities brokers, and all current and former registered securities firms. FINRA strongly encourages investors to use BrokerCheck to check the background of securities brokers and brokerage firms before deciding to conduct, or continue to conduct, business with them.

- **What is included in a BrokerCheck report?**

- BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm's profile, history, and operations, as well as many of the same disclosure events mentioned above.
- Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

- **Where did this information come from?**

- The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:
  - information FINRA and/or the Securities and Exchange Commission (SEC) require brokers and brokerage firms to submit as part of the registration and licensing process, and
  - information that regulators report regarding disciplinary actions or allegations against firms or brokers.

- **How current is this information?**

- Generally, active brokerage firms and brokers are required to update their professional and disciplinary information in CRD within 30 days. Under most circumstances, information reported by brokerage firms, brokers and regulators is available in BrokerCheck the next business day.

- **What if I want to check the background of an investment adviser firm or investment adviser representative?**

- To check the background of an investment adviser firm or representative, you can search for the firm or individual in BrokerCheck. If your search is successful, click on the link provided to view the available licensing and registration information in the SEC's Investment Adviser Public Disclosure (IAPD) website at <https://www.adviserinfo.sec.gov>. In the alternative, you may search the IAPD website directly or contact your state securities regulator at <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/P455414>.

- **Are there other resources I can use to check the background of investment professionals?**

- FINRA recommends that you learn as much as possible about an investment professional before deciding to work with them. Your state securities regulator can help you research brokers and investment adviser representatives doing business in your state.

**Thank you for using FINRA BrokerCheck.**



Using this site/information means that you accept the FINRA BrokerCheck Terms and Conditions. A complete list of Terms and Conditions can be found at [brokercheck.finra.org](http://brokercheck.finra.org)



For additional information about the contents of this report, please refer to the User Guidance or [www.finra.org/brokercheck](http://www.finra.org/brokercheck). It provides a glossary of terms and a list of frequently asked questions, as well as additional resources. For more information about FINRA, visit [www.finra.org](http://www.finra.org).

**JOSEPH A. SCHLIM**

CRD# 2502404

**Currently employed by and registered with the following Firm(s):**

- B LONG NECK SERVICES LLC**  
 17 Old Kings Highway  
 Suite 140  
 Darien, CT 06820  
 CRD# 297317  
 Registered with this firm since: 12/01/2018

**Report Summary for this Broker**

This report summary provides an overview of the broker's professional background and conduct. Additional information can be found in the detailed report.

**Broker Qualifications**

**This broker is registered with:**

- 1 Self-Regulatory Organization
- 0 U.S. states and territories

This individual is currently inactive or suspended with at least one regulator.

**This broker has passed:**

- 4 Principal/Supervisory Exams
- 2 General Industry/Product Exams
- 1 State Securities Law Exam

**Registration History**

**This broker was previously registered with the following securities firm(s):**

- B FBV CAPITAL ADVISORS, INC.**  
 CRD# 151120  
 NEW YORK, NY  
 12/2012 - 12/2013
- B VALCOUR SECURITIES LLC**  
 CRD# 151120  
 STAMFORD, CT  
 11/2010 - 11/2012
- B ALADDIN CAPITAL LLC**  
 CRD# 103766  
 STAMFORD, CT  
 06/2000 - 02/2009

**Disclosure Events**

All individuals registered to sell securities or provide investment advice are required to disclose customer complaints and arbitrations, regulatory actions, employment terminations, bankruptcy filings, and criminal or civil judicial proceedings.

Are there events disclosed about this broker? **Yes**

**The following types of disclosures have been reported:**

Type	Count
Regulatory Event	1



## Broker Qualifications

### Registrations

This section provides the self-regulatory organizations (SROs) and U.S. states/territories the broker is currently registered and licensed with, the category of each license, and the date on which it became effective. This section also provides, for every brokerage firm with which the broker is currently employed, the address of each branch where the broker works.

**This individual is currently registered with 1 SRO and is licensed in 0 U.S. states and territories through his or her employer.**

**The individual has 3 inactive or suspended registrations.**

[For an explanation on inactive and suspended registrations, click here.](#)

### Employment 1 of 1

Firm Name: **LONG NECK SERVICES LLC**  
 Main Office Address: **1025 BOSTON POST ROAD, SUITE 200  
 SUITE 200  
 DARIEN, CT 06820**  
 Firm CRD#: **297317**

	SRO	Category	Status	Date
B	FINRA	General Securities Principal	Inactive - Continuing Education	01/01/2025
B	FINRA	General Securities Representative	Inactive - Continuing Education	01/01/2025
B	FINRA	Introducing BD/Finan Operation Principal	Inactive - Continuing Education	01/01/2025

### Branch Office Locations

**LONG NECK SERVICES LLC**  
 1025 BOSTON POST ROAD  
 SUITE 200  
 DARIEN, CT 06820

**LONG NECK SERVICES LLC**  
 17 Old Kings Highway  
 Suite 140  
 Darien, CT 06820



## Broker Qualifications

### Industry Exams this Broker has Passed

This section includes all securities industry exams that the broker has passed. Under limited circumstances, a broker may attain a registration after receiving an exam waiver based on exams the broker has passed and/or qualifying work experience. Any exam waivers that the broker has received are not included below. A passed exam or exam waiver does not permit a broker to do business without an active SRO or state registration.

**This individual has passed 4 principal/supervisory exams, 2 general industry/product exams, and 1 state securities law exam.**

### Principal/Supervisory Exams

Exam	Category	Date
<b>B</b> Introducing Broker/Dealer Financial Operations Principal Examination	Series 28	08/31/2018
<b>B</b> General Securities Principal Examination	Series 24	08/08/2018
<b>B</b> Financial and Operations Principal Examination	Series 27	02/08/2006
<b>B</b> Registered Options Principal Examination	Series 4	03/18/2004

### General Industry/Product Exams

Exam	Category	Date
<b>B</b> Securities Industry Essentials Examination	SIE	01/30/2020
<b>B</b> General Securities Representative Examination	Series 7	08/08/1994

### State Securities Law Exams

Exam	Category	Date
<b>B</b> Uniform Securities Agent State Law Examination	Series 63	07/06/2018

Additional information about the above exams or other exams FINRA administers to brokers and other securities professionals can be found at [www.finra.org/brokerqualifications/registeredrep/](http://www.finra.org/brokerqualifications/registeredrep/).

## Broker Qualifications



## Professional Designations

This section details that the representative has reported **0** professional designation(s).

No information reported.



## Registration and Employment History

### Registration History

The broker previously was registered with the following firms:

Registration Dates	Firm Name	CRD#	Branch Location
<b>B</b> 12/2012 - 12/2013	FBV CAPITAL ADVISORS, INC.	151120	NEW YORK, NY
<b>B</b> 11/2010 - 11/2012	VALCOUR SECURITIES LLC	151120	STAMFORD, CT
<b>B</b> 06/2000 - 02/2009	ALADDIN CAPITAL LLC	103766	STAMFORD, CT
<b>B</b> 10/1997 - 05/2000	DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION	7560	JERSEY CITY, NJ
<b>B</b> 08/1994 - 11/1997	J.P. MORGAN SECURITIES INC.	15733	NEW YORK, NY

### Employment History

This section provides up to 10 years of an individual broker's employment history as reported by the individual broker on the most recently filed Form U4.

**Please note that the broker is required to provide this information only while registered with FINRA or a national securities exchange and the information is not updated via Form U4 after the broker ceases to be registered. Therefore, an employment end date of "Present" may not reflect the broker's current employment status.**

Employment	Employer Name	Position	Investment Related	Employer Location
01/2020 - Present	Water Gap Capital Partners LLC	Member	N	Delaware Water Gap, PA, United States
06/2018 - Present	Long Neck Services LLC	Member, CCO, CFO, FinOp	Y	Darien, CT, United States
08/2017 - Present	Pretium Partners	Senior Advisor, Executive Committee Member	Y	New York, NY, United States
03/2009 - Present	MARINUS CAPITAL LLC	MEMBER	Y	NEW CANAAN, CT, United States
02/2009 - 08/2017	Valcour Capital	Managing Partner, Founder	Y	Stamford, CT, United States



## Registration and Employment History

### Other Business Activities

This section includes information, if any, as provided by the broker regarding other business activities the broker is currently engaged in either as a proprietor, partner, officer, director, employee, trustee, agent or otherwise. This section does not include non-investment related activity that is exclusively charitable, civic, religious or fraternal and is recognized as tax exempt.

PRESIDENT OF HAMPTON ROADS GOLF, TABB, VIRGINIA. 1213 GEORGE WASHINGTON HIGHWAY. PRESIDENT SINCE 1989. BUSINESS IS NOT INVESTMENT RELATED. OVERSEE OPERATIONS OF THE STORE AND DO NOT HAVE DAY TO DAY RESPONSIBILITIES. NO HOURS DEVOTED DURING NORMAL BUSINESS HOURS.

DIRECTOR OF RICHMOND BASEBALL LIMITED, OWNER OF THE RICHMOND FLYING SQUIRRELS MINOR LEAGUE BASEBALL TEAM. EFFECTIVE SINCE DECEMBER 2009. POSITION IS NOT COMPENSATED. No hours are devoted to this business.

Member of Dew Gap Lofts LLC, Effective since Nov 25 2019. The position is not compensated. Dew Gap Lofts rents houses to individuals. Minimal hours are devoted to this business.

Member Dew Gap LLC, Effective since Nov 5 2020. The position is not compensated. Dew Gap Lofts owns apartments, houses, and an Inn and rents this real estate to individuals and other companies. Minimal hours are devoted to this business.

Member PA Nice Homes LLC, Effective since Dec 19 2019. The position is not compensated. PA Nice Homes LLC holds licenses to provide outpatient behavioral health treatment to adults. 5-10 hours per week are dedicated to this business.

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## Disclosure Events



### What you should know about reported disclosure events:

1. All individuals registered to sell securities or provide investment advice are required to disclose customer complaints and arbitrations, regulatory actions, employment terminations, bankruptcy filings, and criminal or civil judicial proceedings.
2. **Certain thresholds must be met before an event is reported to CRD, for example:**
  - A law enforcement agency must file formal charges before a broker is required to disclose a particular criminal event.
  - A customer dispute must involve allegations that a broker engaged in activity that violates certain rules or conduct governing the industry and that the activity resulted in damages of at least \$5,000.
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3. **Disclosure events in BrokerCheck reports come from different sources:**
  - As mentioned at the beginning of this report, information contained in BrokerCheck comes from brokers, brokerage firms and regulators. When more than one of these sources reports information for the same disclosure event, all versions of the event will appear in the BrokerCheck report. The different versions will be separated by a solid line with the reporting source labeled.
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4. **There are different statuses and dispositions for disclosure events:**
  - A disclosure event may have a status of *pending*, *on appeal*, or *final*.
    - A "pending" event involves allegations that have not been proven or formally adjudicated.
    - An event that is "on appeal" involves allegations that have been adjudicated but are currently being appealed.
    - A "final" event has been concluded and its resolution is not subject to change.
  - A final event generally has a disposition of *adjudicated*, *settled* or *otherwise resolved*.
    - An "adjudicated" matter includes a disposition by (1) a court of law in a criminal or civil matter, or (2) an administrative panel in an action brought by a regulator that is contested by the party charged with some alleged wrongdoing.
    - A "settled" matter generally involves an agreement by the parties to resolve the matter. Please note that brokers and brokerage firms may choose to settle customer disputes or regulatory matters for business or other reasons.
    - A "resolved" matter usually involves no payment to the customer and no finding of wrongdoing on the part of the individual broker. Such matters generally involve customer disputes.

For your convenience, below is a matrix of the number and status of disclosure events involving this broker. Further information regarding these events can be found in the subsequent pages of this report. You also may wish to contact the broker to obtain further information regarding these events.

	Pending	Final	On Appeal
Regulatory Event	0	1	0



## Disclosure Event Details

When evaluating this information, please keep in mind that a disclosure event may be pending or involve allegations that are contested and have not been resolved or proven. The matter may, in the end, be withdrawn, dismissed, resolved in favor of the broker, or concluded through a negotiated settlement for certain business reasons (e.g., to maintain customer relationships or to limit the litigation costs associated with disputing the allegations) with no admission or finding of wrongdoing.

This report provides the information exactly as it was reported to CRD and therefore some of the specific data fields contained in the report may be blank if the information was not provided to CRD.

### Regulatory - Final

This type of disclosure event may involve (1) a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulatory such as the Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations; or (2) a revocation or suspension of a broker's authority to act as an attorney, accountant, or federal contractor.

#### Disclosure 1 of 1

<b>Reporting Source:</b>	Regulator
<b>Regulatory Action Initiated By:</b>	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
<b>Sanction(s) Sought:</b>	Other: N/A
<b>Date Initiated:</b>	12/17/2012
<b>Docket/Case Number:</b>	3-15135
<b>Employing firm when activity occurred which led to the regulatory action:</b>	ALADDIN CAPITAL LLC; ALADDIN CAPITAL MANAGEMENT LLC
<b>Product Type:</b>	Other: COLLATERALIZED DEBT OBLIGATIONS
<b>Allegations:</b>	<p>SEC ADMIN RELEASE 33-9375, IA RELEASE 3515, DECEMBER 17, 2012: THE SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") DEEMED IT APPROPRIATE THAT CEASE-AND-DESIST PROCEEDINGS BE INSTITUTED PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 ("SECURITIES ACT") AND SECTION 203(K) OF THE INVESTMENT ADVISERS ACT OF 1940 ("ADVISERS ACT") AGAINST JOSEPH A. SCHLIM ("SCHLIM" OR "RESPONDENT").</p> <p>THE COMMISSION FOUND THAT THE CASE INVOLVED COMPLEX STRUCTURED FINANCIAL PRODUCTS KNOWN AS COLLATERALIZED DEBT OBLIGATIONS ("CDOS"). CDOS ARE SECURITIES BACKED BY DEBT</p>



OBLIGATIONS INCLUDING, FOR EXAMPLE, SUBPRIME RESIDENTIAL MORTGAGE-BACKED SECURITIES. THE UNDERLYING MORTGAGE-BACKED, OR OTHER, SECURITIES ARE PACKAGED AND GENERALLY HELD BY A SPECIAL PURPOSE VEHICLE THAT ISSUES NOTES ENTITLING THEIR HOLDERS TO PAYMENTS DERIVED FROM THE UNDERLYING ASSETS.

IN LATE 2006, AN SEC REGISTERED INVESTMENT ADVISER MARKETED TO ITS CLIENTS TWO CDOS THAT IT WAS MANAGING AND STATED THAT IT WOULD CO-INVEST IN THE SAME CDOS. THE ADVISER DID NOT CO-INVEST AS IT REPRESENTED. AN SEC REGISTERED BROKER-DEALER ("BD") COLLECTED A PLACEMENT FEE FROM THE CDOS' UNDERWRITERS. AT THE PERTINENT TIMES, SCHLIM HAD RESPONSIBILITY FOR ENSURING THAT THE ADVISER CO-INVESTED ALONGSIDE ITS CLIENTS, BUT ULTIMATELY FAILED TO ENSURE THAT THE ADVISER DID SO WITH RESPECT TO THESE TWO CDOS.

IN 2005, THE ADVISER BEGAN AN INVESTMENT ADVISORY PROGRAM. SCHLIM, ALONG WITH TWO BD REGISTERED REPRESENTATIVES, CREATED THE PROGRAM. UNDER THE PROGRAM, THE ADVISER AND ITS CLIENTS SIGNED INVESTMENT MANAGEMENT AGREEMENTS BY WHICH THE ADVISER AGREED TO RENDER INVESTMENT MANAGEMENT SERVICES, AND THE CLIENT AGREED TO COMMIT TO INVEST IN THE EQUITY TRANCHE OF CERTAIN UPCOMING CDO OR CLO DEALS THAT WOULD BE MANAGED BY THE ADVISER. THE ADVISER DID NOT RECEIVE A SEPARATE ADVISORY FEE FROM ITS PROGRAM CLIENTS; RATHER IT RECEIVED A MANAGEMENT FEE FROM THE CDOS AND CLOS IN WHICH THE CLIENTS INVESTED. THE ADVISER PLACED THE EQUITY INTEREST WITH ITS CUSTOMER AND TYPICALLY RECEIVED A NEGOTIATED (USUALLY TEN-PERCENT) PLACEMENT FEE OR COMMISSION FROM THE CDOS' OR CLOS' UNDERWRITERS FOR DOING SO.

WHEN MARKETING THE PROGRAM, THE ADVISER AND BD STATED THAT THE ADVISER WOULD CO-INVEST IN THE SAME EQUITY TRANCHES OF EACH CDO OR CLO ALONGSIDE ITS CLIENTS. SCHLIM WAS PERSONALLY INVOLVED IN CREATING THE CO-INVESTMENT FEATURE OF THE PROGRAM. SCHLIM KNEW THAT THE ADVISER'S CO-INVESTMENT REPRESENTATION WAS A KEY FEATURE OF, AND SELLING POINT FOR, THE PROGRAM. THE BD ALSO EMPHASIZED THAT THE ADVISER WOULD CO-INVEST IN THE SAME PRODUCTS WHEN MARKETING SPECIFIC CDOS TO POTENTIAL PROGRAM PARTICIPANTS.

SCHLIM WAS SIGNIFICANTLY INVOLVED IN THE PROGRAM ON A DAY-TO-DAY BASIS. HE MADE SALES CALLS ON POTENTIAL PROGRAM CLIENTS, AND HE NEGOTIATED WITH CDO AND CLO UNDERWRITERS ABOUT THE AMOUNT OF EQUITY IN THOSE SECURITIES THAT THE BD COULD PLACE



WITH ITS CUSTOMERS, OR PURCHASE FOR ITSELF. SCHLIM ALSO NEGOTIATED THE PLACEMENT FEES TO BE RECEIVED BY THE BD FOR SECURING INVESTMENTS IN THE EQUITY TRANCHES OF EACH CDO OR CLO.

AS A RESULT OF THE NEGLIGENT CONDUCT, SCHLIM VIOLATED SECTION 17(A)(2) OF THE SECURITIES ACT; AND CAUSED THE BD'S VIOLATIONS OF SECTION 17(A)(2) OF THE SECURITIES ACT AND CAUSED THE ADVISER'S VIOLATION OF SECTION 206(2) OF THE ADVISERS ACT.

<b>Current Status:</b>	Final
<b>Resolution:</b>	Order
<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Resolution Date:</b>	12/17/2012
<b>Sanctions Ordered:</b>	Cease and Desist Civil and Administrative Penalty(ies)/Fine(s)
<b>If the regulator is the SEC, CFTC, or an SRO, did the action result in a finding of a willful violation or failure to supervise?</b>	No



**(1) willfully violated any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or any rule or regulation under any of such Acts, or any of the rules of the Municipal Securities Rulemaking Board, or to have been unable to comply with any provision of such Act, rule or regulation?**

**(2) willfully aided, abetted, counseled, commanded, induced, or procured the violation by any person of any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or any rule or regulation under any of such Acts, or any of the rules of the Municipal Securities Rulemaking Board? or**



**(3) failed reasonably to supervise another person subject to your supervision, with a view to preventing the violation by such person of any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or any rule or regulation under any such Acts, or any of the rules of the Municipal Securities Rulemaking Board?**

#### **Monetary Sanction 1 of 1**

**Monetary Related Sanction:** Civil and Administrative Penalty(ies)/Fine(s)

**Total Amount:** \$50,000.00

**Portion Levied against individual:** \$50,000.00

**Payment Plan:**

**Is Payment Plan Current:**

**Date Paid by individual:**

**Was any portion of penalty waived?** No

**Amount Waived:**

**Regulator Statement**

IN ANTICIPATION OF THE INSTITUTION OF THE PROCEEDINGS, RESPONDENT SUBMITTED AN OFFER OF SETTLEMENT (THE "OFFER") WHICH THE COMMISSION DETERMINED TO ACCEPT. SOLELY FOR THE PURPOSE OF THE 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, EXCEPT AS TO THE COMMISSION'S JURISDICTION OVER HIM AND THE SUBJECT MATTER OF THE PROCEEDINGS, WHICH ARE ADMITTED, RESPONDENT CONSENTED TO THE ENTRY OF THE ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION



8A OF THE SECURITIES ACT OF 1933 AND SECTION 203(K) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER ("ORDER").

THE COMMISSION DEEMED IT APPROPRIATE TO IMPOSE THE SANCTIONS AGREED TO IN THE RESPONDENT'S OFFER. ACCORDINGLY, PURSUANT TO SECTION 8A OF THE SECURITIES ACT AND 203(K) OF THE ADVISERS ACT, IT IS HEREBY ORDERED THAT SCHLIM SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATION OF SECTION 17(A)(2) OF THE SECURITIES ACT AND SECTION 206(2) OF THE ADVISERS ACT; SCHLIM SHALL, WITHIN 10 DAYS OF THE ENTRY OF THE ORDER, PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$50,000.

<b>Reporting Source:</b>	Broker
<b>Regulatory Action Initiated By:</b>	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
<b>Sanction(s) Sought:</b>	Other: N/A
<b>Date Initiated:</b>	12/17/2012
<b>Docket/Case Number:</b>	3-15135
<b>Employing firm when activity occurred which led to the regulatory action:</b>	ALADDIN CAPITAL LLC; ALADDIN CAPITAL MANAGEMENT LLC
<b>Product Type:</b>	Other: COLLATERALIZED DEBT OBLIGATIONS
<b>Allegations:</b>	SEC ADMIN RELEASE 33-9375, IA RELEASE 3515, DECEMBER 17, 2012: THE SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") DEEMED IT APPROPRIATE THAT CEASE-AND-DESIST PROCEEDINGS BE INSTITUTED PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 ("SECURITIES ACT") AND SECTION 203(K) OF THE INVESTMENT ADVISERS ACT OF 1940 ("ADVISERS ACT") AGAINST JOSEPH A. SCHLIM ("SCHLIM" OR "RESPONDENT"). THE COMMISSION FOUND THAT THE CASE INVOLVED COMPLEX STRUCTURED FINANCIAL PRODUCTS KNOWN AS COLLATERALIZED DEBT OBLIGATIONS ("CDOS"). CDOS ARE SECURITIES BACKED BY DEBT OBLIGATIONS INCLUDING, FOR EXAMPLE, SUBPRIME RESIDENTIAL MORTGAGE-BACKED SECURITIES. THE UNDERLYING MORTGAGE-BACKED, OR OTHER, SECURITIES ARE PACKAGED AND GENERALLY HELD BY A SPECIAL PURPOSE VEHICLE THAT ISSUES NOTES ENTITLING THEIR HOLDERS TO PAYMENTS DERIVED FROM THE UNDERLYING ASSETS. IN LATE 2006, AN SEC REGISTERED INVESTMENT ADVISER MARKETED TO ITS CLIENTS TWO CDOS THAT IT WAS MANAGING



AND STATED THAT IT WOULD CO-INVEST IN THE SAME CDOS. THE ADVISER DID NOT CO-INVEST AS IT REPRESENTED. AN SEC REGISTERED BROKER-DEALER ("BD") COLLECTED A PLACEMENT FEE FROM THE CDOS' UNDERWRITERS. AT THE PERTINENT TIMES, SCHLIM HAD RESPONSIBILITY FOR ENSURING THAT THE ADVISER CO-INVESTED ALONGSIDE ITS CLIENTS, BUT ULTIMATELY FAILED TO ENSURE THAT THE ADVISER DID SO WITH RESPECT TO THESE TWO CDOS. UNDER THE PROGRAM, THE ADVISER AND ITS CLIENTS SIGNED INVESTMENT MANAGEMENT AGREEMENTS BY WHICH THE ADVISER AGREED TO RENDER INVESTMENT MANAGEMENT SERVICES, AND THE CLIENT AGREED TO COMMIT TO INVEST IN THE EQUITY TRANCHE OF CERTAIN UPCOMING CDO OR CLO DEALS THAT WOULD BE MANAGED BY THE ADVISER. THE ADVISER DID NOT RECEIVE A SEPARATE ADVISORY FEE FROM ITS PROGRAM CLIENTS; RATHER IT RECEIVED A MANAGEMENT FEE FROM THE CDOS AND CLOS IN WHICH THE CLIENTS INVESTED. THE ADVISER PLACED THE EQUITY INTEREST WITH ITS CUSTOMER AND TYPICALLY RECEIVED A NEGOTIATED PLACEMENT FEE OR COMMISSION FROM THE CDOS' OR CLOS' UNDERWRITERS FOR DOING SO. WHEN MARKETING THE PROGRAM, THE ADVISER AND BD STATED THAT THE ADVISER WOULD CO-INVEST IN THE SAME EQUITY TRANCHES OF EACH CDO OR CLO ALONGSIDE ITS CLIENTS. THE BD ALSO EMPHASIZED THAT THE ADVISER WOULD CO-INVEST IN THE SAME PRODUCTS WHEN MARKETING SPECIFIC CDOS TO POTENTIAL PROGRAM PARTICIPANTS. SCHLIM MADE SALES CALLS ON POTENTIAL PROGRAM CLIENTS, AND HE NEGOTIATED WITH CDO AND CLO UNDERWRITERS ABOUT THE AMOUNT OF EQUITY IN THOSE SECURITIES THAT THE BD COULD PLACE WITH ITS CUSTOMERS, OR PURCHASE FOR ITSELF. SCHLIM ALSO NEGOTIATED THE PLACEMENT FEES TO BE RECEIVED BY THE BD FOR SECURING INVESTMENTS IN THE EQUITY TRANCHES OF EACH CDO OR CLO. AS A RESULT OF THE NEGLIGENT CONDUCT, SCHLIM VIOLATED SECTION 17(A)(2) OF THE SECURITIES ACT; AND CAUSED THE BD'S VIOLATIONS OF SECTION 17(A)(2) OF THE SECURITIES ACT AND CAUSED THE ADVISER'S VIOLATION OF SECTION 206(2) OF THE ADVISERS ACT.

<b>Current Status:</b>	Final
<b>Action Appealed To:</b>	N/A
<b>Date Appeal filed:</b>	
<b>Appeal Limitation Details:</b>	
<b>Resolution:</b>	Order





**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?**

No

**Resolution Date:**

12/17/2012

**Sanctions Ordered:**

Cease and Desist  
Civil and Administrative Penalty(ies)/Fine(s)

**Monetary Sanction 1 of 1**

**Monetary Related Sanction:**

Civil and Administrative Penalty(ies)/Fine(s)

**Total Amount:**

\$50,000.00

**Portion Levied against individual:**

\$50,000.00

**Payment Plan:**

**Is Payment Plan Current:**

**Date Paid by individual:**

12/20/2012

**Was any portion of penalty waived?**

No

**Amount Waived:**

**Broker Statement**

IN ANTICIPATION OF THE INSTITUTION OF THE PROCEEDINGS, RESPONDENT SUBMITTED AN OFFER OF SETTLEMENT (THE "OFFER") WHICH THE COMMISSION DETERMINED TO ACCEPT. SOLELY FOR THE PURPOSE OF THE 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, EXCEPT AS TO THE COMMISSION'S JURISDICTION OVER HIM AND THE SUBJECT MATTER OF THE PROCEEDINGS, WHICH ARE ADMITTED, RESPONDENT CONSENTED TO THE ENTRY OF THE ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 AND SECTION 203(K) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER ("ORDER"). THE COMMISSION DEEMED IT APPROPRIATE TO IMPOSE THE SANCTIONS AGREED TO IN THE RESPONDENT'S OFFER. ACCORDINGLY, PURSUANT TO SECTION 8A OF THE SECURITIES ACT AND 203(K) OF THE ADVISERS ACT, IT IS HEREBY ORDERED THAT SCHLIM SHALL CEASE AND DESIST FROM COMMITTING



OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATION OF SECTION 17(A)(2) OF THE SECURITIES ACT AND SECTION 206(2) OF THE ADVISERS ACT; SCHLIM SHALL, WITHIN 10 DAYS OF THE ENTRY OF THE ORDER, PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$50,000.

## End of Report



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