

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

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 3538 / January 29, 2013**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-15192**

**In the Matter of**

**EDWARD J. HOVAN, JR.,**

**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 Edward J. Hovan, Jr. (“Respondent” or “Hovan”).

**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. Hovan, age 47, is a resident of Bolton, Connecticut. He is the brother of Kurt Hovan. From at least September 2008 through June 2009, he held the titles of Executive Vice President and Portfolio Manager of Hovan Capital Management, LLC ("HCM"), an investment adviser that was registered with the Commission during that time period. Among HCM's clients during a portion of that period was a Commission-registered investment company, to which HCM served as a sub-adviser.

2. On January 14, 2013, a final judgment was entered against Hovan, permanently enjoining him from future violations of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), Exchange Act Rule 10b-5, Sections 206(1) and 206(2) of the Advisers Act, and Section 17(e)(1) of the Investment Company Act of 1940 ("Investment Company Act"), in the civil action entitled *Securities and Exchange Commission v. Kurt Hovan, et al.*, Civil Action No. CV-11-4795-RS, in the United States District Court for the Northern District of California. Hovan was also ordered liable for \$50,000 in disgorgement, but disgorgement was waived and the court did not order payment of a civil penalty based on representations in his Statement of Financial Condition and supporting material.

3. The Commission's complaint alleged, among other things, that Hovan participated in a scheme to misuse so-called "soft dollars" that HCM had obtained as rebates on commissions paid for securities trades executed in the accounts of HCM's clients. According to the complaint, contrary to assurances to clients and others that HCM would only use soft dollars to pay for a limited category of services that benefitted HCM's clients, HCM used soft dollars to compensate Respondent in the form of a salary. The complaint further alleged that Respondent participated in an arrangement to provide invoices to brokerage firms to make soft dollar payments to an entity described as an independent, third-party research firm, Bolton Research LLC, when, in reality, Bolton Research was simply the conduit for the salary payments to Respondent. The complaint further alleged that Respondent arranged to use soft dollars paid to Bolton Research to pay HCM's office rent, contrary to HCM's representations about how soft dollars were used.

### IV.

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

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 203(f) of the Advisers Act, Respondent Hovan is barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, with the right to apply for reentry after five years to the appropriate self-regulatory organization, or if there is none, to the Commission.

B. 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.

By the Commission.

Elizabeth M. Murphy  
Secretary