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Hedge Fund Law Report: What the Supreme Court's Decision in *Lorenzo v. SEC* Means for Fund Managers



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In *Lorenzo v. SEC*, the US Supreme Court ruled that Francis Lorenzo violated Rule 10b-5 under the Securities Exchange Act of 1934 when he sent two emails misleading prospective investors about a company's finances.

"Post-*Lorenzo*, the SEC presumably believes it has a green light to pursue Rule 10b-5 charges for a wide range of deceptive conduct relating to misstatements. The Court views terms like 'device' and 'scheme' very broadly, and the fact that one wasn't the 'maker' of the misstatement may afford little protection," said William Martin, former senior counsel in the SEC's Enforcement Division and counsel at O'Melveny.

He continued: "Often, a number of parties assist an issuer of securities in making a statement, and those parties need to consider their potential 10(b) exposure when they know that such a statement is materially false or misleading."