

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 71594 / February 21, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-15764

In the Matter of

GARY L. MCDUFF,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO SECTION
15(b) OF THE SECURITIES EXCHANGE
ACT OF 1934, AND NOTICE OF HEARING**

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 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Gary L. McDuff (“Respondent” or “McDuff”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

1. McDuff, age 59, is a former resident of Deer Park, Texas. He has never been associated with a registered broker dealer or investment adviser. He is currently in federal detention, awaiting sentencing on his criminal conviction.

B. ENTRY OF INJUNCTION

2. On February 22, 2013, the Commission obtained a default judgment against McDuff, permanently enjoining him from future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 (“Securities Act”) and Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder, in the civil action entitled Securities and Exchange Commission v. Gary L.

McDuff, Civil Action Number 3:08-CV-526-L, in the United States District Court for the Northern District of Texas.

3. The Commission's complaint alleged that McDuff was the mastermind behind a scheme to create and operate an entity named Lancorp Financial Fund Business Trust ("Lancorp Fund"), which was touted to investors as an unregistered, closed-end, and non-diversified management investment company that invested solely in highly rated debt securities. Through Lancorp Fund and its affiliated entities, McDuff materially misrepresented to investors the nature of the offering, the risks of the purported investment, and the ways investor funds would be used. McDuff and his two associates, Gary L. Lancaster and Robert T. Reese, raised more than \$11 million. Among the false representations McDuff made to investors were the statements that the fund would invest only in A+ or A1 rated bonds; that the principal of each investment would be insured and never at risk; and that Lancaster had experience operating this type of investment (when he did not). In addition, McDuff failed to disclose his prior felony conviction.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act; and

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

For the Commission, by its Secretary, pursuant to delegated authority.

Elizabeth M. Murphy
Secretary