UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10004 / January 19, 2016

SECURITIES EXCHANGE ACT OF 1934
Release No. 76927 / January 19, 2016

INVESTMENT ADVISERS ACT OF 1940
Release No. 4315 / January 19, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17057

In the Matter of

EQUINOX FUND MANAGEMENT, LLC,

Respondent.

ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933, SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, AND SECTION 203(e) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 ("Securities Act"), Section 21C of the Securities Exchange Act of 1934 ("Exchange Act"), and Section 203(e) of the Investment Advisers Act of 1940 ("Advisers Act") against Equinox Fund Management, LLC ("Equinox" or "Respondent").

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 it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Section 21C of the Securities Exchange Act of 1934, and Section 203(e) of the

Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

Summary

1. These proceedings arise from material misstatements and omissions made by Equinox in the offer and sale of units in the Frontier Fund ("TFF"), a publicly registered managed futures fund with multiple series. Equinox managed TFF and was responsible for the disclosures made in TFF's registration statements and periodic filings with the Commission. This action concerns four distinct disclosure violations:

   a. From 2004 through March 2011, TFF's registration statements disclosed that Equinox charged management fees based upon the *net asset value* ("NAV") of each series, when Equinox actually charged TFF management fees based upon the *notional trading* value of the assets (i.e., including leverage), thereby charging TFF $5.4 million more than what would have been charged upon NAV;
   b. TFF's Form 10-K for 2010 and its Forms 10-Q for the first and second quarters of 2011 disclosed that its methodology of valuing certain derivatives was "corroborated by weekly counterparty settlement values," when in fact, Equinox received certain information during that timeframe showing that its valuation of certain options was materially higher than the counterparty's indicative settlement valuations;
   c. TFF's Form 10-Q for the third quarter of 2011 disclosed that an option had been transferred between two series in accordance with TFF's valuation policies, when in reality, the option had been transferred using a different valuation methodology than substantially identical options held by other TFF series; and
   d. TFF's Form 10-Q for the second quarter of 2011 failed to disclose as a material subsequent event the series' early termination of an option (which constituted the series' largest investment) at a valuation that was materially different than had been recorded for that option.

Based upon this conduct, Equinox willfully violated Sections 17(a)(2) and 17(a)(3) of the Securities Act, and caused TFF's violations of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13 thereunder.

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[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Respondent

2. **Equinox Fund Management, LLC**, a Delaware limited liability company headquartered in Denver, Colorado, is an asset management firm that specializes in managed futures. Equinox is registered as an investment adviser with the Commission and as a commodity pool operator with the U.S. Commodity Futures Trading Commission. Currently, Equinox manages approximately $268 million in assets as a commodity pool operator to TFF. Equinox is responsible for the preparation and filing of TFF's registration statements and periodic filings.

Other Relevant Entity

3. **The Frontier Fund**, a Delaware statutory trust, is a publicly registered managed futures fund launched in 2004. Equinox serves as TFF's commodity pool operator and managing owner. TFF operates as a series trust, with numerous series engaged in separate trading strategies. The assets of each TFF series are valued and accounted for separately, and each series strikes a daily NAV. Each TFF series registered the offering of its units under the Securities Act. During the relevant period (which is primarily from 2009 through 2011), TFF had approximately 15,000 to 20,000 investors and between $800 million and $1 billion in net assets.

Facts

Equinox Overcharged Management Fees by Using a Methodology that Contradicted TFF's Disclosures

4. As the managing owner of TFF, Equinox charged each TFF series various fees, including a management fee. The management fees compensated Equinox for its management of the investments and were also used to pay commodity trading advisors ("CTAs") their contractual fee. From the inception of various TFF series through March 2011, TFF filed six registration statements (as well as twenty-three pre-effective and post-effective amendments to such registration statements), all of which consistently disclosed that Equinox charged management fees (ranging from .50% to 3.5%) based upon each series' NAV. For example, TFF's Form S-1 registration statement dated November 28, 2008 disclosed that "[e]ach Series will pay to the Managing Owner a monthly management fee equal to a certain percentage of each Series' Net Asset Value." TFF's disclosures that Equinox charged management fees as a percentage of each series' NAV were repeated throughout the registration statements, including in sections regarding "fees and expenses," "past performance," "charges to be paid by the trust," as well as the respective series' fee tables and appendices.

5. However, contrary to the disclosures in TFF's registration statements, Equinox charged management fees based on the value of the notional assets it was managing in each series (invested amount plus leverage used in the underlying investments). Notional assets refers to the trading level of the aggregate attributable assets that CTAs traded on behalf of each series.

6. In early March 2011, TFF's independent auditors questioned whether Equinox's assessment of management fees based on notional assets in each TFF series comported with TFF's existing disclosures that management fees were calculated based on each series' NAV. In response, Equinox modified TFF's Form 10-K, filed on March 25, 2011, and TFF's registration statement, filed on March 28, 2011, to disclose that Equinox charged management fees on notional assets.

7. Equinox did not refund to TFF the additional management fees it had collected by charging on notional assets prior to the modification of its disclosures. From the inception of various TFF series through March 2011, Equinox obtained $5,404,004 in additional management fees by charging TFF series on notional assets, as opposed to NAV as had been previously disclosed. In certain reporting periods for certain series, these additional management fees would have been material to investors in making investment decisions relating to TFF.

TFF's Disclosures Regarding Its Methodology of Valuing Certain Derivatives Were Misleading

8. As the commodity pool operator of TFF, Equinox allocated TFF series' funds to CTAs engaged in various trading strategies. In some instances, Equinox determined that it was not feasible for TFF series to make direct investments with desired CTAs. Therefore, Equinox obtained access to those CTAs' returns by investing in highly customized derivatives, including total return swaps and options, that used the desired CTAs' performance as the reference assets.

9. From October 2007 through May 2009, four TFF series, through their investments in various subsidiary trading companies, first began investing in separate European OTC call options (the "Options"), all of which were written by the same counterparty (the "Option Counterparty"). The reference asset of each respective Option was a different private managed futures fund managed by a wholly-owned subsidiary of the Options Counterparty. The Options included:

a. The RCW Option (held by TFF's Balanced Series);
b. The FX Enhanced Option (held by TFF's Currency Series);
c. The RCW2 Option (held by TFF's Diversified Series); and
d. The Solon Option (held by TFF's Dynamic Series).

10. By year-end 2010, the four TFF series had invested a total of approximately $84 million of cash in the Options.

11. The TFF Registration Statements provided that Equinox, as managing owner, was responsible for the daily calculations of NAV and as a result was responsible for determining the valuation of all investments held by each TFF series. The Options did not have readily determinable fair values because they were not traded on an open market and did not have publicly-reported prices. Therefore, Equinox treated the Options held by TFF as Level Three assets, pursuant to Accounting Standards Codification ("ASC") 820, *Fair Value Measurement.* From the respective dates of purchase through the third quarter of 2010, Equinox valued the Options using an internal valuation methodology.

12. During the fourth quarter of 2010, Equinox revised its valuation methodology with respect to the Options to account for a valuation range provided by a third-party valuation agent ("Valuation Agent"). Specifically, for each Option, Equinox obtained a valuation range from its Valuation Agent, then compared it to the valuation estimated using its own methodology. If Equinox's internal valuation fell within the Valuation Agent's range, Equinox used the midpoint of the Valuation Agent's range. If its valuation fell outside of the range, then Equinox valued the Option at the closest bound of the Valuation Agent's range (either the upper or lower bound). This valuation methodology remained in effect through July 2011.

13. In its Form 10-K for December 31, 2010 and Forms 10-Q for March 31, 2011 and June 30, 2011, TFF disclosed that certain derivatives, including the Options, were "reported at fair value based upon daily valuations provided by a third party pricing service and *corroborated by weekly counterparty settlement values*" (emphasis added). Equinox's internal valuation methodology used certain pricing information provided on a weekly basis by a subsidiary of the Option Counterparty concerning the net asset value of *reference assets* of the respective Options. However, TFF's disclosure that its valuations were "corroborated by weekly counterparty settlement values" was misleading because throughout this timeframe, Equinox received, but failed to consider, three types of information concerning the Option Counterparty's pricing of the *Options* which was materially different than the valuation of the Options as reported by TFF.

14. First, on each business day from late June 2009 through early May 2011, the Option Counterparty provided Equinox with a "Products Valuation" report that included indicative bid and ask prices for the RCW2 and Solon Options that were materially different from the valuations Equinox had assigned to these Options.

15. Second, in connection with the audit of each TFF series' financial statements for year-end 2010, the Option Counterparty provided audit confirmations for each of the Options as of December 31, 2010 showing materially different indicative valuations. TFF's independent auditor in turn provided these counterparty audit confirmations to Equinox.

16. Third, between June 2009 and May 2011, various TFF series engaged in seven additional transactions with the Option Counterparty to increase or decrease the amount invested in the RCW, RCW2 and Solon Options ("Additional Transactions"). In each of the Additional Transactions, the parties used the Option Counterparty's bid or ask prices to increase or decrease the amounts invested in the Options, and at least in certain instances, these prices were materially different than what was reflected in TFF's Options valuations. Furthermore, the bid or ask prices for the Additional Transactions matched pricing contained in the Products Valuation reports that Equinox routinely received from the Option Counterparty.

17. Equinox's receipt of materially different pricing information from the Option Counterparty demonstrated that contrary to TFF's disclosures, its valuations were not corroborated by weekly counterparty settlement values between December 31, 2010 and June 30, 2011. Instead, on a quarterly basis, TFF's reported valuation for the Options was substantially higher than the Option Counterparty's valuation of each of the Options.

TFF's Disclosure Regarding the Transfer of an Option Between Series Was Misleading

18. The Dynamic Series was structured such that its investment returns were almost entirely driven by its investment in one of the Options, the Solon Option.

19. One of TFF's larger series, the Balanced Series, held a significant inter-series investment in the Dynamic Series, such that the Balanced Series was entitled to share in 94% of the profits or losses of the Dynamic Series.

20. In July 2011, the early liquidation of the FX Enhanced Option caused Equinox to undertake an expedited re-assessment of: (i) the appropriate valuation for the remaining three Options still held by *other* TFF series (including the Dynamic Series); and (ii) the potential impact of write-downs of the valuations of the three Options on those respective series' NAV. Specifically, when Equinox liquidated the FX Enhanced Option on July 8, 2011, the Option Counterparty paid only $3,699,000 at liquidation even though the Currency Series had the FX Enhanced Option valued at $5,029,547, a difference of $1,330,547.

21. On July 12, 2011, Equinox requested pricing for the remaining three Options, and the Option Counterparty provided indicative settlement valuations later that day showing that TFF's valuations of the Options were substantially higher than the Option Counterparty's settlement valuations (as of June 30, 2011). Following receipt of this information, Equinox calculated that writing down the Solon Option to the Valuation Agent's lower bound would have a material impact on the Dynamic Series' NAV.

22. By July 15, 2011, Equinox had decided to write-down the valuation of the RCW and RCW2 Options to the Valuation Agent's lower bound. On July 15, 2011, Equinox also announced the immediate closure of the Dynamic Series, with a forced redemption of all investors at that day's NAV. However, the Dynamic Series did not liquidate the Solon Option to make redemptions. Instead, on July 15, 2011, Equinox transferred ownership of the Solon Option from the Dynamic Series to the Balanced Series.

23. On the date of the transfer of the Solon Option, Equinox did not adjust the valuation in any way to account for the Option Counterparty's materially different indicative settlement valuations. Instead, contrary to its valuation policy, Equinox transferred the Solon Option using the midpoint of the Valuation Agent's range, $10,123,315. However, the next business day after the inter-series transfer, the Balanced Series wrote down the valuation of the Solon Option to the lower bound of the Valuation Agent's range, $9,065,685. The impact of this write-down was absorbed by the Balanced Series, but because it was a larger series, it did not have a material impact on its NAV.

24. During the third quarter of 2011, Equinox ultimately decided to use the Option Counterparty's indicative settlement valuations to value the Solon Option (as well as the other two remaining Options).

25. TFF's Form 10-Q for the third quarter of 2011 made the following disclosure regarding the inter-series transfer of the Solon Option:

> "On July 18, 2011, the Balanced Series reduced its inter-series advance to the Dynamic Series in exchange for ownership in a total return swap contract in the amount of $27,379,284 which approximated fair value in accordance with the Trust's valuation policies at the time of transfer."

26. This disclosure was misleading because by the time of the filing of TFF's third quarter Form 10-Q, Equinox knew or should have known that the Solon Option had not been transferred "in accordance with the Trust's valuation policies." Those procedures required that Equinox take into account, among other things, "whether the same or similar securities are held by other Funds managed by Equinox and the method used to price the security in those funds."

27. By making an exception and transferring the Solon Option at the Valuation Agent's midpoint instead of the lower bound, Equinox failed to take into account information regarding the same or similar securities (the RCW and RCW2 Options) held by other TFF series. Furthermore, Equinox had no other information to justify treating the Solon Option differently, nor did Equinox learn of any new information as of July 18, 2011 (the next business day) prompting the write-down of the Solon Option that took place on that date. Equinox's delay in writing down the Solon Option to the Valuation Agent's lower bound caused the Solon Option not to be transferred in accordance with Trust valuation policies.

28. Equinox made a voluntary administrative reimbursement to the Balanced Series to compensate its investors for the subsequent write down of the valuation of the Solon Option attributable to the Dynamic Series.

TFF's Failure to Disclose a Material Subsequent Event in Its Second Quarter 2011 Form 10-Q

29. Pursuant to ASC 855, *Subsequent Events*, issuers must disclose material subsequent events if they are "of such a nature that they must be disclosed to keep the financial statements from being misleading." Specifically, ASC 855 requires the disclosure of the nature of the material subsequent event, and "an estimate of its financial effect, or a statement that such an estimate cannot be made." Paragraph ASC 855-10-55-2 lists various examples of material subsequent events, including "[c]hanges in the fair value of assets or liabilities (financial or nonfinancial) or foreign exchange rates after the balance sheet date but before financial statements are issued or are available to be issued."

30. TFF's Currency Series failed to disclose both the liquidation of the FX Enhanced Option and the estimated financial effect, despite the fact that both were known prior to the issuance of the Currency Series' June 30, 2011 financial statements. TFF's Currency Series' liquidation of the FX Enhanced Option on July 8, 2011 took place after the reporting period ended June 30, 2011, but prior to the filing of TFF's Form 10-Q on August 12, 2011.

31. This event was a material subsequent event for the Currency Series' financial statements as of June 30, 2011. For that reporting period, the FX Enhanced Option constituted approximately 30% of the Currency Series' total assets, making it a significant driver of the returns of the series.

32. When the Currency Series liquidated the FX Enhanced Option, its recorded valuation was $5,029,547, or approximately 36% higher than the $3,699,000 it actually received from the Option Counterparty. The materially different price received at liquidation on the series' largest asset– just eight days after the June 30, 2011 financial statements – should have been disclosed to keep the financial statements of the Currency Series from being misleading.

Violations

33. As a result of the conduct described above, Equinox willfully[2] violated Sections 17(a)(2) and 17(a)(3) of the Securities Act. Section 17(a)(2) of the Securities Act specifically prohibits any untrue statements of material fact or material omissions in the offer or sale of securities. Section 17(a)(3) of the Securities Act prohibits engaging in any transaction, practice, or course of business which operates as a fraud or deceit upon the purchaser in the offer or sale of securities.[3]

34. As a result of the conduct described above, Equinox caused TFF to violate Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13 thereunder, which require every issuer of a security registered pursuant to Section 12 of the Exchange Act to file with the Commission, among other things, annual and quarterly reports, and require that those periodic reports contain such further material information as may be necessary to make the required statements, in the light of the circumstances in which they are made, not misleading.

IV.

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

Accordingly, pursuant to Section 8A of the Securities Act, Section 21C of the Exchange Act, and Section 203(e) of the Advisers Act, it is hereby ORDERED that:

A. Respondent cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) and 17(a)(3) of the Securities Act and Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13 thereunder.

B. Respondent is censured.

C. Respondent shall pay disgorgement and prejudgment interest as follows:

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[2] A willful violation of the securities laws means merely "'that the person charged with the duty knows what he is doing.'" *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "'also be aware that he is violating one of the Rules or Acts.'" *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

[3] Establishing violations of Sections 17(a)(2) and 17(a)(3) does not require a showing of scienter; negligence is sufficient. *Aaron v. SEC*, 446 U.S. 680 (1980); *SEC v. Hughes Capital Corp.*, 124 F.3d 449, 453-54 (3d Cir. 1997).

i. Respondent shall pay a total of $6,000,067 consisting of disgorgement of $5,404,004 and prejudgment interest of $596,063 (collectively, the "Disgorgement Fund") to compensate TFF investors for the additional management fees Respondent charged various series of TFF.

ii. Within 90 days of the entry of this Order, Respondent shall deposit $4,500,000 of the Disgorgement Fund into an escrow account acceptable to the Commission staff and shall provide the Commission staff with evidence of such deposit in a form acceptable to the Commission staff. By September 30, 2016, Respondent shall deposit the remaining $1,500,067 of the Disgorgement Fund into the same escrow account and shall provide the Commission staff with evidence of such deposit in a form acceptable to the Commission staff. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.

iii. Respondent shall be responsible for administering the Disgorgement Fund. Respondent shall distribute the Disgorgement Fund to investors in TFF series that paid additional management fees during the relevant period. Within 150 days of the entry of this Order, Respondent shall submit a proposed distribution to the Commission staff for review and approval. The proposed distribution will include the respective payment amounts to investors in each applicable series. The distribution of the Disgorgement Fund shall be made by October 14, 2016 based upon the proposed distribution as reviewed and not objected to by the Commission staff. If Respondent does not distribute any portion of the Disgorgement Fund for any reason, including factors beyond Respondent's control, Respondent shall transfer any such undistributed funds to the Commission for transmittal to the United States Treasury. Any such payment shall be made in accordance with Section IV. D below;

iv. Respondent agrees to be responsible for all tax compliance responsibilities associated with the Distribution of the Disgorgement Fund and may retain any professional services as necessary. The costs and expenses of any such professional services shall be borne by Respondent and shall not be paid out of the Disgorgement Fund;

v. By January 31, 2017, Respondent shall submit to the Commission staff a final accounting and certification of the disposition of the Disgorgement Fund not unacceptable to the Commission staff. The final accounting and certification shall include: (i) the amount paid to each investor, (ii) the date of each payment, (iii) the check number for each payment, and (iv) any amounts not distributed shall be forwarded to the Commission for transfer to the United States Treasury. Respondent shall submit the final accounting and certification, together with proof and supporting documentation in a form acceptable to Commission staff, under a cover letter that identifies Equinox as a Respondent in these proceedings and the file number of these proceedings to: Kurt L. Gottschall, Assistant Regional Director, Asset Management Unit, Denver Regional Office, U.S. Securities and Exchange Commission, Byron G. Rogers Federal Building, 1961 Stout Street, Suite 1700, Denver, CO 80294. Any and all supporting documentation for the accounting and certification shall be provided to the Commission staff upon request. Once the Commission approves the final accounting, Respondent shall pay any amounts that have not been distributed to the Commission for transmittal to the United States Treasury; and

vi. The Commission staff may extend the procedural dates set forth in subsections C(iii) and C(v) for good cause shown.

D. Respondent shall, within 90 days of the entry of this Order, pay a civil money penalty in the amount of $400,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Payment must be made in one of the following ways:

(1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch HQ
Bldg., Room 181, AMZ-341 6500
South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Equinox as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to: Kurt L. Gottschall, Assistant Regional Director, Asset Management Unit, Denver Regional Office, U.S. Securities and Exchange Commission, Byron G. Rogers Federal Building, 1961 Stout Street, Suite 1700, Denver, CO 80294.

E. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a

private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Brent J. Fields
Secretary