

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 80742/ May 22, 2017

ADMINISTRATIVE PROCEEDING
File No. 3-15134

In the Matter of

**ALADDIN CAPITAL MANAGEMENT
LLC AND ALADDIN CAPITAL LLC,**

Respondents.

**CORRECTED ORDER
CONSOLIDATING FAIR FUNDS**

ADMINISTRATIVE PROCEEDING
File No. 3-15135

In the Matter of

JOSEPH A. SCHLIM,

Respondents.

On December 17, 2012, the Commission issued an 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 Order¹ (the “Aladdin Order”) against Aladdin Capital Management LLC (“ACM”) and Aladdin Capital LLC (“Aladdin Capital”). In the Aladdin Order, the Commission determined that, in late 2006, in connection with its marketing of two collateralized debt obligations (the “CDOs”), ACM, an

¹ Securities Act Rel. No. 9374 (Dec. 17, 2012).

SEC-registered investment adviser based in Stamford, Connecticut, misrepresented that it would co-invest with its clients in the CDOs. ACM did not co-invest as it represented. The Commission further found that, from 2007 to 2010, after three ACM clients invested in the CDOs, ACM continued to misrepresent to those clients that ACM had invested in the CDOs. Aladdin Capital, an SEC-registered broker-dealer based in Stamford, Connecticut, collected more than \$900,000 in placement fees from the CDOs' underwriters for ACM's clients' investments.

Also on December 17, 2012, the Commission issued an 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 (the "Schlim Order")² against Joseph A. Schlim ("Schlim"), a former principal and CFO of ACM and Aladdin Capital. The Commission determined that, in connection with the conduct described in the Aladdin Order, Schlim was responsible for ensuring that ACM co-invested with its clients in the CDOs, but failed to ensure that ACM did so.

As a result of the conduct described in the Aladdin Order and Schlim Order (collectively, the "Orders"), the Commission found, respectively, that Aladdin Capital violated Section 17(a)(2) of the Securities Act of 1933 ("Securities Act"); ACM violated Section 206(2) of the Investment Advisers Act of 1940; and, Schlim violated Section 17(a)(2) of the Securities Act and caused Aladdin Capital and ACM's violations. The Commission ordered Aladdin Capital and ACM to jointly and severally disgorge \$900,000, pay prejudgment interest of \$268,831, and pay a civil penalty of \$450,000, for a total of \$1,618,831; and ordered Schlim to pay a civil penalty of \$50,000. In each of the Orders, the Commission created a Fair Fund pursuant to Section

² Securities Act Rel. No. 9375 (Dec. 17, 2012).

308(a) of the Sarbanes-Oxley Act of 2002, as amended, for the disgorgement, prejudgment interest and civil penalties ordered.

On or about December 31, 2012, ACM, Aladdin Capital, and Schlim collectively paid \$1,668,831 as ordered, into the respective Fair Fund. The Fair Funds are currently deposited in interest bearing accounts at the United States Department of the Treasury.

The Division of Enforcement recommends that the Fair Funds created pursuant to the Orders be consolidated into one Fair Fund for the purposes of distributing the funds for the benefit of the investors harmed by the conduct described in the Orders.

Accordingly, IT IS HEREBY ORDERED that the assets of the Fair Funds created pursuant to the Orders, and any interest accrued on those assets, are consolidated into one Fair Fund for distribution to harmed investors.

By the Commission.

Brent J. Fields
Secretary