

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 4861 / February 28, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18380

In the Matter of

STEFAN LUMIERE,

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 Stefan Lumiere (“Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (“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, Respondent admits the Commission’s jurisdiction over him and the subject matter of these proceedings, and the findings contained in paragraphs III.2 and III.4 below, and 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. From 2009 to 2013, Lumiere was responsible for making investment decisions for a distressed assets or “special situations” portion of affiliated private funds (collectively, “Credit Fund”) advised by an investment adviser (“Investment Adviser”) registered with the Commission. Lumiere, age 46, resides in New York, New York.

2. On February 21, 2018, a final judgment was entered by consent against Respondent permanently enjoining him from future violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and Sections 206(1), 206(2), and 206(4) of the Advisers Act, and Rule 206-4(8) thereunder, in the civil action entitled Securities and Exchange Commission v. Stefan Lumiere, 16 Civ. 4513 (KPF), in the United States District Court for the Southern District of New York.

3. The Commission's complaint alleged that Lumiere engaged in a fraudulent scheme to mismark the Credit Fund. The complaint alleged Lumiere took a series of steps to inflate falsely the value of securities held by the Credit Fund resulting in the fund: (a) reporting falsely inflated returns; (b) repeatedly overstating its net asset value; (c) misclassifying certain distressed assets held by the Credit Fund as "Level 2" assets, instead of "Level 3" assets, under the Financial Accounting Standards Board's framework for measuring "fair value," codified in Accounting Standards Codification Topic 820; and (d) overpaying management and performance fees to Investment Adviser.

4. On January 19, 2017, Lumiere was convicted after trial by jury on one count each of Conspiracy to Commit Securities Fraud and Wire Fraud [18 U.S.C. § 371], Securities Fraud [15 U.S.C. §§ 78j(b) and 78ff; 17 C.F.R. § 240.10b-5; 18 U.S.C. § 2], and Wire Fraud [18 U.S.C. §§ 1343 and 2] in the United States District Court for the Southern District of New York, in United States v. Stefan Lumiere, 16 Cr. 483 (JSR).

5. The counts of the indictment on which Lumiere was convicted alleged, *inter alia*, that Lumiere participated in a scheme to inflate falsely the value of securities held by a hedge fund he advised, the effect of which was to overstate the fund's apparent liquidity and net asset value, resulting in higher payments from investors. On June 16, 2017, a judgment in the criminal case was entered against Lumiere. He was sentenced to a prison term of eighteen months followed by three years of supervised release and ordered to pay a fine in the amount of \$1,000,000.

IV.

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

Accordingly, it is hereby ORDERED pursuant to Section 203(f) of the Advisers Act that Respondent Lumiere be, and hereby is barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

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.

Brent J. Fields
Secretary