

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 4914 / May 24, 2018

INVESTMENT COMPANY ACT OF 1940
Release No. 33107 / May 24, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18503

In the Matter of

**Aberon Capital Management,
LLC and Joseph Kringsfeld,**

Respondents.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS,
PURSUANT TO SECTIONS 203(e), 203(f)
AND 203(k) OF THE INVESTMENT
ADVISERS ACT OF 1940, AND SECTION
9(b) OF THE INVESTMENT COMPANY 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 Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Aberon Capital Management, LLC (“Aberon”) and Joseph Kringsfeld (“Kringsfeld”) (collectively, “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have 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 them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company 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 that

Summary

These proceedings arise out of misrepresentations and omissions by Aberon and Krigsfeld concerning the assets and performance of a hedge fund called Aberon Capital Master Fund, LP (“ACMF”). Between 2011 and 2014, Aberon and Krigsfeld misrepresented ACMF’s performance and assets to ACMF investors. In addition, from October 2012 until April 2014, Aberon and Krigsfeld received excessive advisory fees from ACMF based on those inflated asset valuations, although Krigsfeld later returned a greater amount to ACMF.

Respondents

1. Aberon is a Delaware limited liability company created in July 2009 and based in New York, New York. Aberon is investment adviser to ACMF. Aberon has never been registered with the Commission in any capacity.

2. Krigsfeld, 35 years old, is a resident of New York, New York. Krigsfeld is a managing member of Aberon.

Other Relevant Entity

3. ACMF is a Cayman Islands limited partnership created in November 2009. The general partner of ACMF is Aberon Capital Partners, LLC (“ACP”), a Delaware limited liability company of which Krigsfeld is a managing member. ACP was formed in July 2009.

Background

4. In 2009, Aberon began operating a hedge fund, set up with a master-feeder fund structure with ACMF as its master fund and a number of feeder funds (collectively, the “Aberon Funds”). There were only two investors in the Aberon Funds. The first, referred to herein as Investor A, was an offshore entity beneficially owned by a relative of Krigsfeld. The second, referred to herein as Investor B, was a friend of Krigsfeld.

5. From September 2009 through March 2012, Investor A invested almost \$30 million in the Aberon Funds. In November 2010, Investor B invested \$200,000 in the Aberon Funds.

6. Aberon's trading strategy resulted in substantial losses to ACMF. By October 2012, ACMF had lost over \$29 million and the value of ACMF's assets was less than \$500,000. As of April 2017, ACMF's assets were valued at less than \$1,000.

7. Aberon and Krigsfeld misrepresented to Investor A and Investor B the performance of the Aberon Funds and the value of the investments in the Aberon Funds. For example, in May 2012, Krigsfeld prepared an NAV statement for Investor A reflecting that the net asset value of Investor A's investment in the Aberon Funds as of December 31, 2011 was about \$18.3 million. In fact, the net asset value of Investor A's investment in the Aberon Funds as of December 31, 2011 was less than \$7.3 million.

8. As another example, in a March 2013 email, Krigsfeld falsely told Investor B that Investor B's investment had returned 3.2% for the first two months of 2013, and that the investment had a net cumulative return of 20.3% since inception. In fact, by March 2013, the vast majority of ACMF's assets had been lost in unprofitable trading and margin calls. Nevertheless, when Investor B liquidated his investment in January 2014, Aberon paid Investor B \$271,996, an amount purportedly including profits on Investor B's \$200,000 investment.

9. In April 2014, Krigsfeld used \$4.75 million of his own funds to recapitalize ACMF. Following the recapitalization, Aberon resumed trading ACMF's account. However, Aberon's trading for ACMF continued to be unprofitable and, by the end of 2015, the value ACMF's assets had declined to less than \$50,000. Substantially all of the \$4.75 million recapitalization had been lost.

10. According to feeder fund offering documents, ACMF would pay Aberon an annual management fee of 1.75% plus a performance fee of 20%. From October 2012 to April 2014, Aberon withdrew fees of \$171,575.39 from ACMF based on inflated asset values rather than the actual value of the assets under management. However, the \$4.75 million of Krigsfeld's personal funds used to recapitalize ACMF in April 2014 (which subsequently was lost through unsuccessful trading), exceeds the fees ACMF paid to Aberon and Krigsfeld after October 2012.

11. As a result of the conduct described above, Respondents willfully violated Sections 206(1), 206(2) and 206(4) of the Advisers Act, which prohibit fraudulent conduct by an investment adviser, and Rule 206(4)-8 promulgated thereunder, which prohibits an investment adviser to a pooled investment vehicle from defrauding investors or prospective investors.

IV.

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

Accordingly, pursuant to Sections 203(e), 203(f) and 203(k) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent Aberon and Respondent Krigsfeld cease and desist from committing or causing any violations and any future violations of Sections 206(1), 206(2), and 206(4) of the Advisers Act and Rule 206(4)-8 promulgated thereunder.

B. Respondent Krigsfeld 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; and

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter;

C. Respondent Aberon is censured.

D. Any reapplication for association by Respondent Krigsfeld 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 Respondent Krigsfeld, 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.

E. Respondent Krigsfeld shall pay a civil money penalty in the amount of \$160,000 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). Payment shall be made in the following installments: \$13,333 within 10 days of the entry of this Order; \$13,333 within 60 days of the entry of this Order; \$13,333 within 90 days of the entry of this Order; \$13,333 within 120 days of the entry of this order; \$13,333 within 150 days of the entry of this Order; \$13,333 within 180 days of the entry of this Order; \$13,333 within 210 days of the entry of this Order; \$13,333 within 240 days of the entry of this Order; \$13,333 within 270 days of the entry of this Order; \$13,333 within 300 days of the entry of this Order; \$13,333 within 330 days of the entry of this Order; and \$13,337 within 360 days of the entry of this Order. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance plus any additional interest accrued pursuant to 31 U.S.C. §3717 shall be due and payable immediately, without further application.

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 Krigsfeld 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 Lara Mehraban, Associate Regional Director, New York Regional Office, Securities and Exchange Commission, Brookfield Place, 200 Vesey Street, New York, NY 10281.

F. 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 Krigsfeld agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent Krigsfeld'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 Krigsfeld agrees that he 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 Krigsfeld 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.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent Krigsfeld, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent Krigsfeld under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent Krigsfeld of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary