

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 87890 / January 6, 2020

ADMINISTRATIVE PROCEEDING
File No. 3-15134

In the Matter of

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

Respondents.

**ORDER AUTHORIZING THE
TRANSFER TO THE U.S. TREASURY OF
THE REMAINING FUNDS AND ANY
FUNDS RETURNED TO THE FAIR FUND
IN THE FUTURE, DISCHARGING FUND
ADMINISTRATOR, AND TERMINATING
THE FAIR FUND**

ADMINISTRATIVE PROCEEDING
File No. 3-15135

In the Matter of

JOSEPH A. SCHLIM,

Respondent.

On December 17, 2012, the Securities and Exchange Commission (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 against Aladdin Capital Management LLC (“ACM”) and Aladdin Capital LLC (“Aladdin Capital”) (the “Aladdin Order”),¹ finding that Aladdin Capital violated Section 17(a)(2) of the Securities Act of 1933 (“Securities Act”) and ACM violated Section 206(2) of the Investment Advisers Act of 1940 by making misrepresentations to investors that ACM would co-invest with its clients in two collateralized debt obligations.

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

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

against Joseph A. Schlim (“Schlim”), a former principal and CFO of ACM and Aladdin Capital (the “Schlim Order”),² finding that Schlim violated Section 17(a)(2) of the Securities Act, and caused Aladdin Capital’s and ACM’s violations.

As a result of the conduct described in the Aladdin Order and Schlim Order (collectively, the “Orders”), 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 308(a) of the Sarbanes-Oxley Act of 2002, for the distribution of the disgorgement, prejudgment interest and civil penalties ordered. As ordered, Aladdin Capital, ACM, and Schlim collectively paid \$1,668,831 to the Commission and these funds were transferred to an interest-bearing account with the United States Department of the Treasury (the “U.S. Treasury”) pending distribution.

On May 22, 2017, the Commission issued a Corrected Order Consolidating Fair Funds,³ consolidating into one Fair Fund (the “Fair Fund”) the assets held in the two fair funds created under the Orders, for distribution to harmed investors.

On October 19, 2017, the Commission published a Notice of Proposed Plan of Distribution and Opportunity for Comment (“Notice”)⁴ pursuant to Rule 1103 of the Commission’s Rules on Fair Fund and Disgorgement Plans (“Rules”).⁵ The Commission received no comments on the Plan of Distribution (the “Plan”) during the comment period. On November 30, 2017, the Commission issued an Order Approving Plan of Distribution,⁶ and simultaneously posted the approved Plan.

Pursuant to the Plan, Catherine E. Pappas, a Commission employee, was appointed as the Fund Administrator to oversee the administration and distribution of the Fair Fund. The Plan provided for the distribution of the Fair Fund, less taxes, fees, and expenses, to the investors harmed by the conduct described in the Orders in proportion to their respective losses. Any residual funds following distribution to eligible investors are to be transferred to the U.S. Treasury, subject to the Commission’s approval of the Fund Administrator’s final accounting.

On December 22, 2017, the Commission ordered the disbursement of approximately \$1.66 million from the Fair Fund for distribution to the Harmed Investors⁷ pursuant to the Plan.⁸ All of the money was successfully distributed to the three Harmed Investors in proportion to their respective losses. On August 30, 2018, the Commission ordered the disbursement of an additional \$1,655 from the Fair Fund for distribution to the Harmed Investors pursuant to the Plan.⁹ In total, \$1,662,056.54 was distributed to the Harmed Investors in accordance with the Plan. An additional \$15,477.05 was paid out to satisfy taxes, expenses, and fees: \$13,384.86 to

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

³ Exchange Act Rel. No. 80742 (May 22, 2017).

⁴ Exchange Act Rel. No. 81910 (Oct. 19, 2017).

⁵ 17 C.F.R. § 201.1103.

⁶ Exchange Act Rel. No. 82183 (Nov. 30, 2017).

⁷ All capitalized terms used herein but not defined shall have the same meanings ascribed to them in the Plan.

⁸ Order Directing Disbursement of Fair Fund, Exchange Act Rel. No. 82400 (Dec. 22, 2017).

⁹ Order Directing Disbursement of Fair Fund, Exchange Act Rel. No. 83996 (Aug. 30, 2018).

the Tax Administrator, \$29.19 for investment costs, and \$2,063 in federal and District of Columbia taxes. The Fair Fund currently has a balance of \$690.13.

The Plan provides that the Fair Fund is eligible for termination and the Fund Administrator discharged after all of the following have occurred: (a) the final accounting has been submitted by the Fund Administrator for approval of, and has been approved by the Commission; and (b) all taxes, fees, and expenses have been paid.

The Commission staff has verified that all taxes, fees, and expenses have been paid, and the amount remaining in the Fair Fund has been received by the Commission. A final accounting, which was submitted to the Commission for approval as required by Rule 1105(f) of the Commission's Rules, 17 C.F.R. § 201.1105(f), and as set forth in the Plan, is now approved.

Accordingly, it is ORDERED that:

- A. The \$690.13 remaining in the Fair Fund, and any funds returned to the Fair Fund in the future, shall be transferred to the U.S. Treasury, subject to Section 21F(g)(3) of the Securities Exchange Act of 1934, 15 U.S. Code § 78u-6(g)(3);
- B. The Fund Administrator, Catherine E. Pappas, is discharged; and
- C. The Fair Fund is terminated.

By the Commission.

Vanessa A. Countryman
Secretary