

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 88249 / February 20, 2020

ADMINISTRATIVE PROCEEDING
File No. 3-19227

In the Matter of :

Fieldstone Financial Management :
Group, LLC and Kristofor R. Behn :

Respondents. :

ORDER APPROVING
PLAN OF DISTRIBUTION

On July 1, 2019, the Commission instituted settled proceedings¹ and issued an Order Making Findings and Imposing Remedial Sanctions and Cease-and-Desist Order (the “Order”) against Fieldstone Financial Management Group, LLC and Kristofor R. Behn (collectively, the “Respondents”). In the Order, the Commission found that Kristofor R. Behn (“Behn”), and his registered investment adviser, Fieldstone Financial Management Group, LLC (“Fieldstone”) did not disclose material conflicts of interest to their advisory clients. Behn and Fieldstone also solicited an advisory client to invest \$1 million in Fieldstone without disclosing that Behn planned to use much of the money to cover his personal expenses. Specifically, from 2014 to early 2016, on Behn’s recommendation, approximately 40 of Behn’s advisory clients invested more than \$7 million in securities issued by Aequitas Commercial Finance, LLC, one of numerous entities affiliated with the Aequitas enterprise, the parent of which is Aequitas Management, LLC (collectively, referred to herein as “Aequitas”). Behn and Fieldstone did not disclose to the clients that Aequitas had provided Fieldstone with a \$1.5 million loan and access to a \$2 million line of credit under terms that created an incentive for Behn and Fieldstone to recommend the Aequitas investments. In early 2017, Behn, through Fieldstone, advised a Fieldstone client to purchase an interest in Fieldstone for \$1 million. Behn represented that the client’s investment would be used to support and expand Fieldstone’s business. Contrary to his representation, Behn used approximately half the client’s money to pay his personal taxes and make other payments to himself or for his personal benefit.

The Commission ordered the Respondents to pay, jointly and severally, a total of \$1,322,971 in disgorgement, prejudgment interest, and a civil money penalty to the Commission. In the Order, the Commission established a fair fund, pursuant to Section 308(a) of the Sarbanes-

¹ 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, 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, Securities Act Rel. No. 10655 (July 1, 2019).

Oxley Act of 2002, so that the civil penalty, along with the disgorgement and prejudgment interest, can be distributed to harmed investors (the “Fair Fund”).

The Respondents have paid a total of \$700,000.00, and pursuant to the Order, the remaining \$622,971 is due within 360 days of entry of the Order. The Fair Fund is deposited in an interest-bearing account at the United States Treasury Department’s Bureau of the Fiscal Service. The assets of the Fair Fund are subject to the continuing jurisdiction and control of the Commission.

On December 23, 2019, the Commission published a Notice of Proposed Plan of Distribution and Opportunity for Comment (the “Notice”)² pursuant to Rule 1103 of the Commission’s Rules on Fair Fund and Disgorgement Plans.³ The Notice advised interested parties that they could obtain a copy of the proposed Plan of Distribution (the “Plan”) from the Commission’s public website at <http://www.sec.gov/litigation/fairfundlist.htm> or by submitting a written request to Noel Gittens, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-5876.

The Notice also advised that all persons desiring to comment on the Plan could submit their comments, in writing, no later than thirty (30) days from the publication of the Notice (1) to the Office of the Secretary, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090; (2) by using the Commission’s Internet comment form (<http://www.sec.gov/litigation/admin.shtml>); or (3) by sending an e-mail to rule-comments@sec.gov. The Commission received no substantive comments on the Plan during the comment period.

The Plan provides for the distribution of the Net Fair Fund⁴ to investors who were harmed by the conduct described in the Order. Since the total Harm Amount incurred by the Eligible Investors exceeds the amount currently in the Net Available Fair Fund and pursuant to the payment schedule in the Order, and receipt of additional funds is anticipated, the Fund Administrator has determined to first, make a *pro-rata* distribution from the available funds, and then after receipt of any additional funds, conduct a second distribution to provide a total distribution amount up to each Eligible Investor’s Harm Amount, plus reasonable interest. The distribution(s) will be made to those Eligible Investors who suffered harm as calculated by the methodology used in the plan of allocation in the Plan.

The Division of Enforcement now requests that the Commission approve the Plan.

² Exchange Act Rel. No. 87854 (Dec. 23, 2019).

³ 17 C.F.R. § 201.1103.

⁴ Capitalized terms used herein, but not defined shall have the same meanings ascribed to them in the Plan.

Accordingly, it is hereby ORDERED, pursuant to Rule 1104 of the Commission's Rules on Fair Fund and Disgorgement Plans,⁵ that the Plan is approved, and posted simultaneously with this order on the Commission's website at www.sec.gov.

For the Commission, by its Secretary, pursuant to delegated authority.

Vanessa A. Countryman
Secretary

⁵ 17 C.F.R. § 201.1104.