

offered interests in KLF through three share classes: (i) KLF Conservative Series A (“KLF Conservative”); (ii) KLF Aggressive Series B (“KLF Aggressive”); and (iii) beginning in September 2011, KLF Ultra Conservative A-10 (“KLF A-10”) (collectively referred to as “the Kingdom Share Classes”).

4. KLGP and Northrop represented to investors that KLF’s affiliated investment manager in charge of portfolio management, Kingdom Legacy Management, LLC (“Management”), charged an asset management fee of 2% per year and KLGP, the fund manager, received an incentive allocation fee of 20% of all profits made from trading in the Kingdom Share Classes. These profits were subject to a “high watermark,” meaning that the 20% would only be taken when profits were made, and if there were losses, the fee would only be imposed as to subsequent profits once they exceeded the amount of the losses.

5. Unbeknownst to KLF’s investors, however, KLGP and Northrop also charged additional undisclosed fees of 40% of the trading profits in KLF Aggressive, and 50% of the trading profits in KLF Conservative and KLF A-10.

6. In addition to failing to disclose these excessive hidden 40% or 50% fees, KLGP and Northrop made other material misrepresentations to investors, claiming that (a) Northrop had a long-standing successful investing track record, (b) Northrop’s family was the largest investor in KLF, and (c) the Northrop family only made money when investors made money.

7. In September 2015, long after Northrop had become aware of the Commission’s investigation, Northrop sent investors an addendum to the offering materials, disclosing, for the first time, these additional fees. Northrop requested that investors sign the addendum in an attempt to retroactively cure the fraudulent offering and force investors to waive any legal claims the investors may have had against him.

8. Through their conduct, KLGP and Northrop each have violated and, unless enjoined, will continue to violate the anti-fraud and registration provisions of the federal securities laws.

9. Accordingly, the Commission seeks an order permanently enjoining the Defendants from further violations of Sections 5(a) and 5(c) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§ 77e(a) and 77e(c); Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a); Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5; and Sections 206(1), 206(2), and 206(4) and Rules 206(4)-8(a)(1) and 206(4)-8(a)(2) of the Investment Advisers Act of 1940 (“Advisers Act”), 15 U.S.C. §§ 80b-6(1), 80b-6(2), 80b-6(4), and 17 C.F.R. §§ 275.206(4)-8(a)(1) and (a)(2). Unless restrained and enjoined, Defendants are reasonably likely to continue to violate the federal securities laws.

10. The Commission also seeks disgorgement of all ill-gotten gains, including prejudgment interest thereon; an order directing the Defendants to pay civil money penalties; and any other relief that may be necessary and appropriate.

II. DEFENDANTS

11. KLGP is a Florida limited liability company based out of Fort Myers, Florida that Northrop formed in January 2009. KLGP is KLF’s fund manager and is responsible for the selection and the overall allocation of KLF’s assets. KLGP controls the access and movement of KLF’s assets under management. KLGP is the “alter ego” of Northrop, who controls KLGP by exercising ultimate authority over all KLGP’s decisions, statements and activities.

12. Mark Northrop, age 65, resides in Lehigh Acres, Florida. Northrop has been a licensed CPA since April 26, 1983. From April 24, 2003 to November 14, 2007, Northrop held a Series 7 license and was formerly associated with a broker-dealer that is no longer registered

with the Commission. Northrop is the founder, CEO, and managing member of KLF, and he controls its operations. Northrop maintains and exercises ultimate authority over KLF, KLGP and all limited liability companies formed by him that act as nominees and are used to move assets to him.

III. JURISDICTION AND VENUE

13. The Court has jurisdiction over this action pursuant to Sections 20(b), 20(d)(1), and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(b), 77t(d)(1), and 77v(a); Sections 21(d) and 27 of the Exchange Act, 15 U.S.C. §§ 78u(d) and 78aa; and Sections 209(d) and 214(a) of the Advisers Act, 15 U.S.C. §§ 80b-9(d) and 80b-14(a).

14. This Court has personal jurisdiction over the Defendants, and venue is proper in the Middle District of Florida, because many of the acts and transactions constituting violations of the Securities Act, the Exchange Act, and the Advisers Act occurred in the Middle District of Florida. In addition, Northrop's residence and KLGP's principal place of business were both located in the Middle District of Florida.

15. In connection with the conduct alleged in this Complaint, Defendants, directly or indirectly, singly or in concert with others, made use of the means or instrumentalities of interstate commerce, the means and instruments of transportation or communication in interstate commerce, or the mails.

IV. DEFENDANTS' FRAUDULENT INVESTMENT SCHEME

A. Background

16. Through word of mouth, at church gatherings and through publications, KLGP and Northrop enticed investors to invest in KLF. In most cases investors were provided with a copy of the KLF and KLGP Private Placement Memorandum ("PPM"), dated October 1, 2010, either in person or by mail, either at the time they invested or shortly thereafter.

17. KLF's website boasted, "Most people invested in the stock market need the market to go up for them to make money. With us....Bull or Bear...Who Cares! It doesn't matter the direction of the stock market...or what the economy does."

18. The emphasized tagline in KLF's accompanying brochure stated that KLF "*was established to PRODUCE A BOUNTIFUL HARVEST for our clients. IT IS OUR DESIRE TO HELP YOU ACHIEVE YOUR DREAMS and unlock THE DOOR OF OPPORTUNITY to fields of ABUNDANT BLESSINGS.*" The brochure then went on to emphasize that KLF was a family-owned and operated investment fund.

19. The PPM described the offering as interests in KLF, whereby investors became members of the specific Kingdom Share Class they chose in their subscription agreements. The PPM described two share classes – KLF Conservative and KLF Aggressive.

20. Sometime later, Northrop also began offering investments in a third share class called KLF A-10. Northrop orally described KLF A-10 to prospective investors as ultra conservative. There were no written offering materials for KLF A-10 and therefore no written PPM describing KLF A-10's investments and fees.

21. The PPM touted the advantages of investing through KLF, including diversification, lower transaction costs, experienced management, investor limited liability, and administrative convenience.

22. The PPM touted “Economies of Scale – Lower Transaction Costs,” asserting that the trade size and volume of trading “may enable [KLF] to obtain lower commission rates than would otherwise be available to smaller portfolios invested independently in the strategies applied by [KLF].”

23. KLF purportedly traded investors’ assets through affiliated or third-party managers. Trading activity in the Kingdom Share Classes involved trading options on one or more market indices including both equities and commodities. In reality, the affiliate and “third-party managers” were limited liability companies formed and controlled by Northrop through his nominees, including his wife and sons. All of the trading was being executed and managed entirely by Northrop or his stepson.

B. Misrepresentations and Omissions

(1) Excessive Undisclosed Fees

24. Despite Northrop telling investors, and the PPM specifically indicating, that there was only a 2% annual asset management fee and a 20% investment incentive allocation fee on any profits made each month, KLGP and Northrop first charged investors 40% or 50% (depending on the share class) in fees on monthly trading profits.

25. Specifically, through an elaborate structure of limited liability companies and bank accounts controlled by Northrop, an initial 40% or 50% of the trading profits were taken from investors before the amount remaining was then subjected to the 2% annual asset management fee (1/12 of 2% monthly) and the 20% incentive fee, subject to the high watermark provision.

26. The beginning balance and the indicated profits for the month on investors' monthly statements had already been reduced by this 40% or 50% fee without any indication to the investors. Hence, investors were kept in the dark that KLGP and Northrop had skimmed these fees for themselves and were funneling them to entities controlled by Northrop.

(2) False Statements that KLF Only Makes Money When Investors Make Money

27. In KLF's accompanying brochure, KLGP and Northrop, after asserting that each of KLF's principals and employees had personal investments in KLF which were invested in the same pool as the investors, falsely claimed that the principals and employees of KLF "only make money when you make money."

28. KLF's website also falsely stated "Our fund is one big pool of money. If the fund makes 2% for the month we all make 2% for the month. If the fund loses 1% for the month we all lose 1% for the month..."

29. These statements were false, as the fortunes of the principals and employees of KLF were not always tied to investors. In 2011, KLGP and Northrop together collected over \$1 million, and in 2014 almost \$500,000, in revenue from fees from both KLF Conservative and KLF Aggressive investors, despite the fact that investors lost as much as 19% in KLF Conservative and 11% in KLF Aggressive in 2011, and 28% in KLF Aggressive and 0.5% in KLF Conservative in 2014.

30. Further, there are other instances in which KLGP and Northrop made money through taking fees while the investors experienced overall losses. Beginning in January 2012, monthly profits or losses were accounted for in four categories: Section 1256 trading, short term capital, interest, and account expenses.

31. In most periods, rather than netting the profit and losses in all the categories before calculating his 40% and 50% undisclosed fee, Northrop collected a fee from any individual category that showed a profit while allocating 100% of any category that showed a loss to the investor.

32. This practice resulted in Northrop collecting a fee in months when the net amount allocated to investors was a loss.

(3) False Statements and Omissions Regarding KLF's and Northrop's Background and Past Performance

33. KLGP and Northrop made various misrepresentations and omitted material facts concerning Northrop's investing acumen and the past performance of investments he managed. The PPM proclaimed that Northrop had "more than thirty years of successful financial and business management experience." In a letter at least one investor received, Northrop, after boasting he was regarded as a "mathematical guru," claimed he had "increased each investor's account by double digit returns every year since he started managing hedge funds beginning in 2000." Promotions also touted KLF's performance as "14 years of Proven Performance through all kinds of market movements." They also boasted that their investing strategy gave them "the opportunity to continue earning consistent, conservative monthly returns of 1-2% per month in order to generate double digit annual compound returns."

34. However, in none of these promotions was it disclosed that (a) Northrop previously operated a hedge fund called CPA Directed Investments ("CPA") that experienced tremendous losses and was dissolved by Northrop in 2008, and (b) in 2009, Northrop and CPA were sued under the anti-fraud provisions of the Kansas Uniform Securities Act and a default judgment was entered against them.

(4) **False Claims Regarding Northrop's Family Being the Largest Investor in KLF**

35. KLGP and Northrop made false statements on KLF's website claiming "Our family is the largest investor in the fund...which means NOBODY is going to watch your money any closer than we do."

36. However, at no time were KLGP, Management, and Northrop's stepson, Landon Sexton ("Northrop's Family"), the largest investor in KLF. Indeed, while investors bought into KLF in December 2010, Northrop's Family did not even invest in KLF until November 2011. Furthermore, from the time Northrop's Family did invest in KLF, through at least September 2014, at least two investors always held a larger investment in KLF than Northrop's Family. Moreover, in many different months during the same time period of November 2011 through September 2014, several investors held larger investments in KLF than Northrop's Family.

(5) **Attempt to Retroactively Cure Fraudulent Offering Through False and Misleading Addendum**

37. In September 2015, in an effort to retroactively cure the undisclosed and fraudulent fee structure, Northrop sent letters to all the KLF investors telling them to sign an enclosed Addendum "to try and eliminate any confusion any of our investors may have" concerning KLF's fee structure. Northrop told investors that "I should have made clear these returns to you, the investor, are AFTER ALL FEES."

38. The September 2015 Addendum, for the first time ever, disclosed that KLF Conservative and KLF Aggressive paid, respectively 50% and 40% of profits to "third party" managers which were affiliated managers of KLF, before any income was allocated to KLF and hence to investors.

39. Northrop sent this letter to investors long after he was aware the Commission's investigation into the matter had begun. Further, these statements were also false and misleading because the "third party" managers were not bona fide third parties but in fact were entities that were alter-egos of Northrop that he created and controlled and used as conduits to pass money through to Northrop.

V. CLAIMS FOR RELIEF

COUNT I

Violations of Sections 5(a) and 5(c) of the Securities Act

40. The Commission repeats and realleges paragraphs 1 through 39 of its Complaint.

41. No registration statement was filed or in effect with the Commission pursuant to the Securities Act with respect to the securities issued by KLF described in this Complaint and no exemption from registration existed with respect to these securities.

42. From December 2010 through at least September 2015, Northrop and KLGP, directly and indirectly:

- (a) made use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell securities, through the use or medium of a prospectus or otherwise;
- (b) carried or caused to be carried securities through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or delivery after sale; or
- (c) made use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise any security,

without a registration statement having been filed or being in effect with the Commission as to such securities.

43. By reason of the foregoing Northrop and KLGP violated and, unless enjoined, are reasonably likely to continue to violate Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

COUNT II

Fraud in Violation of Section 17(a)(1) of the Securities Act

44. The Commission repeats and realleges paragraphs 1 through 39 of its Complaint.

45. From approximately December 2010 through at least September 2015, Northrop and KLGP, in the offer or sale of securities by use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, knowingly or recklessly employed devices, schemes or artifices to defraud.

46. By reason of the foregoing, Northrop and KLGP violated, and, unless enjoined, are reasonably likely to continue to violate, Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

COUNT III

Fraud in Violation of Section 17(a)(2) of the Securities Act

47. The Commission repeats and realleges paragraphs 1 through 39 of its Complaint.

48. From approximately December 2010 through at least September 2015, Northrop and KLGP, in the offer or sale of securities by use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly negligently obtained money or property by means of untrue statements of material facts and omissions to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading.

49. By reason of the foregoing, Northrop and KLGP violated and, unless enjoined, are reasonably likely to continue to violate, Section 17(a)(2) of the Securities Act, 15 U.S.C. § 77q(a)(2).

COUNT IV

Fraud in Violation of Section 17(a)(3) of the Securities Act

50. The Commission repeats and realleges paragraphs 1 through 39 of its Complaint.

51. From approximately December 2010 through at least September 2015, Northrop and KLGP, in the offer or sale of securities by use of any means or instruments of transportation or communication in interstate commerce and by the use of the mails, directly or indirectly negligently engaged in transactions, practices and courses of business which have operated, are now operating or will operate as a fraud or deceit upon the purchasers.

52. By reason of the foregoing, Northrop and KLGP violated, and, unless enjoined, are reasonably likely to continue to violate, Section 17(a)(3) of the Securities Act, 15 U.S.C. § 77q(a)(3).

COUNT V

Fraud in Violation of Section 10(b) and Rule 10b-5(a) of the Exchange Act

53. The Commission repeats and realleges paragraphs 1 through 39 of its Complaint.

54. From approximately December 2010 through at least September 2015, Northrop and KLGP, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, knowingly or recklessly employed devices, schemes or artifices to defraud in connection with the purchase or sale of securities.

55. By reason of the foregoing, Northrop and KLGP violated, and, unless enjoined, are reasonably likely to continue to violate Section 10(b) and Rule 10b-5(a) of the Exchange Act, 15 U.S.C. § 78j(b), and 17 C.F.R. § 240.10b-5(a).

COUNT VI

Fraud in Violation of Section 10(b) and Rule 10b-5(b) of the Exchange Act

56. The Commission repeats and realleges Paragraphs 1 through 39 of its Complaint.

57. From approximately December 2010 through at least September 2015, Northrop and KLGP, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, knowingly or recklessly made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in connection with the purchase or sale of securities.

58. By reason of the foregoing, Northrop and KLGP violated, and, unless enjoined, are reasonably likely to continue to violate, Section 10(b) and Rule 10b-5(b) of the Exchange Act, 15 U.S.C. § 78j(b), and 17 C.F.R. § 240.10b-5(b).

COUNT VII

Fraud in Violation of Section 10(b) and Rule 10b-5(c) of the Exchange Act

59. The Commission repeats and realleges Paragraphs 1 through 39 of its Complaint.

60. From approximately December 2010 through at least September 2015, Northrop and KLGP, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, knowingly or recklessly engaged in acts, practices and courses of business which have operated, are now operating or will operate as a fraud or deceit upon any person in connection with the purchase or sale of any security.

61. By reason of the foregoing, Northrop and KLGP directly and indirectly violated, and, unless enjoined, are reasonably likely to continue to violate, Section 10(b) and Rule 10b-5(c) of the Exchange Act, 15 U.S.C. § 78j(b), and 17 C.F.R. § 240.10b-5(c).

COUNT VIII

Fraud in Violation of Section 206(1) of the Advisers Act

62. The Commission repeats and realleges paragraphs 1 through 39 of its Complaint.

63. From approximately December 2010 through at least September 2015, Northrop and KLGP, for compensation, engaged in the business of directly advising KLF and the Kingdom Share Classes as to the value of securities or as to the advisability of investing in, purchasing, or selling securities. Northrop and KLGP were therefore “investment advisers” within the meaning of Section 202(a)(11) of the Advisers Act, 15 U.S.C. § 80b-2(a)(11).

64. Northrop and KLGP, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly employed a device, scheme, or artifice to defraud one or more clients or prospective clients.

65. By reason of the foregoing Northrop and KLGP violated and, unless enjoined, are reasonably likely to continue to violate, Section 206(1) of the Advisers Act, 15 U.S.C. § 80b-6(1).

COUNT IX

Fraud in Violation of Section 206(2) of the Advisers Act

66. The Commission repeats and realleges paragraphs 1 through 39 and paragraph 63 of its Complaint.

67. From approximately December 2010 through at least September 2015, Northrop and KLGP, by use of the mails or any means or instrumentality of interstate commerce, directly

or indirectly engaged in transactions, practices, or courses of business which operated as a fraud or deceit upon one or more clients or prospective clients.

68. By reason of the foregoing Northrop and KLGP violated and, unless enjoined, are reasonably likely to continue to violate, Section 206(2) of the Advisers Act, 15 U.S.C. § 80b-6(2).

COUNT X

Fraud in Violation of Section 206(4) and Rule 206(4)-8(a)(1) of the Advisers Act

69. The Commission repeats and realleges paragraphs 1 through 39 and paragraph 63 of its Complaint.

70. KLF and the Kingdom Share Classes were “pooled investment vehicles” within the meaning of Rule 206(4)-8(b) of the Advisers Act.

71. From approximately December 2010 through at least September 2015, Northrop and KLGP directly or indirectly made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, to investors or prospective investors in KLF and the Kingdom Share Classes.

72. By reason of the foregoing, Northrop and KLGP violated, and, unless enjoined, are reasonably likely to continue to violate Section 206(4) of the Advisers Act, 15 U.S.C. § 80b-6(4), and Advisers Act Rule 206(4)-8(a)(1), 17 C.F.R. § 275.206(4)-8(a)(1).

COUNT XI

Fraud in Violation of Section 206(4) and Rule 206(4)-8(a)(2) of the Advisers Act

73. The Commission repeats and realleges paragraphs 1 through 39 and paragraphs 63 and 70 of its Complaint.

74. From approximately December 2010 through at least September 2015, Northrop and KLGP directly or indirectly engaged in acts, practices, or course of business that were fraudulent, deceptive, or manipulative with respect to investors and/or prospective investors in KLF and the Kingdom Share Classes.

75. By reason of the foregoing, Northrop and KLGP violated, and, unless enjoined, are reasonably likely to continue to violate Section 206(4) of the Advisers Act, 15 U.S.C. § 80b-6(4), and Advisers Act Rule 206(4)-8(a)(2), 17 C.F.R. § 275.206(4)-8(a)(2).

VI. RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests the Court find the Defendants committed the violations alleged and:

I.

Permanent Injunction

Issue a Permanent Injunction, restraining and enjoining Northrop and KLGP, their agents, servants, employees, attorneys, and representatives, and all persons in active concert or participation with them, and each of them, from violating Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a); Section 10(b) and Rule 10b-5 of the Exchange Act, 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5; Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c); and Sections 206(1), 206(2), and 206(4) and Rule 206(4)-8(a) of the Advisers Act, 15 U.S.C. §§ 80b-6(1), 80b-6(2), and 80b-6(4), and 17 C.F.R. § 275.206(4)-8(a).

II.

Disgorgement

Issue an Order directing Northrop and KLGP to disgorge all ill-gotten gains, including prejudgment interest, resulting from the acts and/or courses of conduct alleged in this Complaint.

III.
Civil Penalty

Issue an Order directing Northrop and KLGP to pay a civil money penalty pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d), and Section 209(e) of the Advisers Act, 15 U.S.C. § 80b-9(e).

IV.
Further Relief

Grant such other and further relief as may be necessary and appropriate.

V.
Retention of Jurisdiction

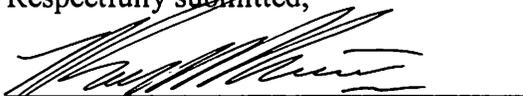
Further, the Commission respectfully requests the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that it may enter, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

VII. DEMAND FOR JURY TRIAL

The Commission hereby demands trial by jury.

Respectfully submitted,

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