

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 96310 / November 14, 2022

ADMINISTRATIVE PROCEEDING
File No. 3-20030

In the Matter of	:	
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	:	
Northern Trust Hedge Fund Services	:	ORDER APPROVING PLAN OF
LLC and Northern Trust Global Fund	:	DISTRIBUTION AND DIRECTING
Services Cayman Limited,	:	TRANSFER OF FAIR FUND
	:	
	:	
Respondents.	:	

On September 18, 2020, the Commission issued an Order Instituting Cease-and-Desist Proceedings Pursuant to Section 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing a Cease-and-Desist Order (the “Order”)¹ against Northern Trust Hedge Fund Services LLC and Northern Trust Global Fund Services Cayman Limited (collectively, the “Respondents”), the fund administrators for the LR Global Frontier Master Fund, Ltd. and two feeder funds, the LR Global Frontier Fund, Ltd. (offshore) and the LR Global Frontier Fund LP (onshore) (collectively, the “Funds”). According to the Order, from at least 2013 through mid-2017, Donald S. LaGuardia (“LaGuardia”), through the investment adviser he controlled, L-R Managers, LLC (“L-R Managers”) (collectively with LaGuardia, the “Advisers”), defrauded the Funds and their investors, misappropriating money from the Funds and directing that some of the misappropriated amounts be recorded as a promissory note and receivable “due from” L-R Managers to the Funds to conceal the misappropriation. The Order further finds that the Respondents caused the Advisers’ violations of the antifraud provisions of the Investment Advisers Act of 1940 by, among other things, failing to adequately escalate concerns they identified regarding the Advisers prior to their engagement, permitting the Advisers to make unsupported withdrawals, improperly accounting for account receivables, and failing to obtain sufficient pricing support for a significant holding of the Funds. The Commission ordered Northern Trust Hedge Fund Services LLC to pay disgorgement of \$15,076 and prejudgment interest of \$2,553, and ordered the Respondents, jointly and severally, to pay a civil money payment of \$150,000. The Commission further established a Fair Fund (the “Northern Trust Fair Fund”) pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, so the collected civil penalty, along with collected disgorgement and prejudgment interest, can be distributed to harmed investors. The Respondents have paid in full.

¹ Advisers Act Rel. No. 5585 (Sept. 18, 2020).

The Northern Trust Fair Fund is comprised of the \$167,629 paid by the Respondents and is held in an interest-bearing account at the U.S. Department of Treasury’s Bureau of the Fiscal Services. Accrued interest will be added to, and become a part of, the Northern Trust Fair Fund.

The Related Civil Action

On June 24, 2019, the Commission filed a civil action in the United States District Court for the Southern District of New York charging LaGuardia for the underlying fraud.² The Commission charged LaGuardia with misappropriating approximately \$2.6 million from investors and concealing the misappropriation through fraudulent accounting devices. On July 5, 2022, upon motion of the Commission, the district court entered an order (the “Distribution Order”) that directs The Northern Trust Company (“Northern Trust”), the custodian of the Funds, to liquidate the assets in its custody account and transfer the custody account assets to the Court Registry Investment System account for the Civil Action (the “CRIS Account”).³ In the Distribution Order, the district court further appoints Lain, Faulkner and Co., P.C., a CPA firm headquartered in Dallas, Texas (“Lain Faulkner”), as distribution agent in the Civil Action, to work with the Commission staff to distribute all funds in the CRIS Account (the “Distribution Fund”), including any funds received from the Northern Trust Fair Fund, pursuant to a plan to be approved by the district court. The Distribution Order further directs Lain Faulkner to act as the tax administrator for the Distribution Fund. Pursuant to the Distribution Order, costs of the distribution and tax administration of the assets in the Distribution Fund will be paid by the Respondents and their affiliates.⁴ Northern Trust has transferred some of the custodial funds and the Distribution Fund currently holds \$10,000.

The Transfer of the Northern Trust Fair Fund to the CRIS Account

The Division of Enforcement (the “Division”) has concluded that distributing the Northern Trust Fair Fund through the Civil Action is fair and reasonable because it reduces administrative costs and employs a more efficient use of resources to benefit investors harmed as a result of the Respondents’ misconduct than would two separate distribution processes.

On October 6, 2022, the Commission published a Notice of Proposed Plan of Distribution and Opportunity for Comment (“Notice”)⁵ pursuant to Rule 1103 of the Commission’s Rules on Fair Fund and Disgorgement Plans (“Commission’s Rules”).⁶ The Notice advised interested persons that they could obtain a copy of the proposed plan of distribution (“Proposed Plan”) from the Commission’s public website at <http://www.sec.gov/litigation/fairfundlist.htm> or by submitting a written request to Catherine E. Pappas, Esq., United States Securities and Exchange Commission, One Penn Center, 1617 JFK Blvd., Ste. 520, Philadelphia, PA 19103.

² *SEC v. Donald S. LaGuardia, Jr.*, No. 19-cv-05895 (S.D.N.Y.) (the “Civil Action”).

³ Civil Action, ECF No. 78.

⁴ Tax obligations of the Distribution Fund will be paid by the Distribution Fund.

⁵ Exchange Act Rel. No. 96000 (Oct. 6, 2022).

⁶ 17 C.F.R. § 201.1103.

The Notice also advised that all persons desiring to comment on the Proposed Plan could submit their comments, in writing, no later than thirty (30) days from the date 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 email to rule-comments@sec.gov. The Commission received no comments on the Proposed Plan during the comment period.

The Proposed Plan provides for the transfer of the Northern Trust Fund, less any investment fees incurred while held at the Commission, to the Distribution Fund established in the Civil Action for distribution to harmed investors in accordance with a plan to be approved by the district court.

The Division, therefore, now requests that the Commission approve the Proposed Plan as published and authorize the transfer of the Northern Trust Fair Fund to the Distribution Fund established in the Civil Action.

Accordingly, it is hereby ORDERED that:

- A. Pursuant to Rule 1104 of the Commission's Rules, 17 C.F.R. § 201.1104, the Proposed Plan is approved, and the approved Plan of Distribution shall be posted simultaneously with this order on the Commission's website at www.sec.gov; and
- B. In accordance with Rule 1102(a) of the Commission's Rules, 17 C.F.R. § 201.1102(a), the Commission staff shall transfer the Northern Trust Fair Fund, less investment fees incurred while held at the Commission, to the Distribution Fund established in the Civil Action for distribution to harmed investors in accordance with a distribution plan to be approved by the district court.

By the Commission.

Vanessa A. Countryman
Secretary