



SEC Wins Major Hedge Fund Fraud Case Against Michael Lauer, Head of Lancer Management Group

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Washington, D.C., Sept. 24, 2008—The Securities and Exchange Commission announced that a district court judge today granted its motion for summary judgment against the architect of a massive billion-dollar hedge fund fraud.

Michael Lauer of Greenwich, Conn., was found liable for violating the anti-fraud provisions of the federal securities laws. In a 67-page order, The Honorable Kenneth A. Marra, U.S. District Judge for the Southern District of Florida, found that Lauer's fraud as head of two Connecticut-based companies – Lancer Management Group and Lancer Management Group II – that managed investors' money and acted as hedge fund advisers was "egregious, pervasive, premeditated and resulted in the loss of hundreds of millions of dollars in investors' funds."

Linda Chatman Thomsen, Director of the SEC's Division of Enforcement, said, "This case highlights the SEC's ongoing efforts to combat hedge fund fraud and our dedicated work on behalf of investors to ensure that hedge fund managers are held accountable for any unlawful conduct."

David Nelson, Director of the SEC's Miami Regional Office, added, "We are particularly gratified at this decision, which resulted from several years of hard work to protect investors, starting when we successfully halted the fraud while it was still ongoing."

Lauer raised more than \$1.1 billion from investors and his fraudulent actions caused investor losses of approximately \$500 million. The SEC initially won emergency temporary restraining orders and asset freezes against Lauer and his companies, which were placed under the control of a Court-appointed receiver after the SEC filed its enforcement action in 2003.

During the protracted litigation, the SEC successfully stopped Lauer from diverting or hiding millions of dollars of assets from the Court's asset freeze.

The summary judgment order found that Lauer:

- Materially overstated the hedge funds' valuations for the years 1999 to 2002.
- Manipulated the prices of seven securities that were a material portion of the funds' portfolios from November 1999 through at least April 2003.
- Failed to provide any basis to substantiate or explain the exorbitant valuations of the shell corporations that saturated the funds' portfolios.
- Hid or lied to investors about the Funds' actual holdings by providing them with fake portfolio statements.

- Falsely represented the funds' holdings in newsletters.

The judge's order entered a permanent injunction against Lauer against future violations of Sections 17(a)(1)-(3) of the Securities Act of 1933 (Securities Act), Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934 (Exchange Act), and Sections 206(1) and (2) of the Investment Advisers Act of 1940 (Advisers Act). The order reserved ruling on the SEC's claim for disgorgement with prejudgment interest against Lauer, and on the amount of a financial penalty Lauer must pay. The SEC is seeking a financial penalty and disgorgement of the more than \$50 million Lauer received in ill-gotten gains from his fraudulent scheme.

For further information, see [Litigation Release No. 18226](#) (July 10, 2003), [Litigation Release No. 18247](#) (July 23, 2003), [Litigation Release No. 18991](#) (December 2, 2004), [Litigation Release No. 19018](#) (December 30, 2004) and [Litigation Release No. 19019](#) (December 30, 2004); [Litigation Release No. 19042](#) (January 21, 2005), [Litigation Release No. 19186](#) (April 15, 2005); [Litigation Release No. 19590](#) (March 6, 2006); [Litigation Release No. 19661](#) (April 18, 2006); and [Litigation Release No. 20505](#) (March 21, 2008).

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