

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**  
**September 30, 2008**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-13265**

**In the Matter of**

**Michael Lauer**

**Respondent.**

**ORDER INSTITUTING PUBLIC  
ADMINISTRATIVE PROCEEDINGS  
PURSUANT TO SECTION 203(f) OF THE  
INVESTMENT ADVISERS ACT OF 1940  
AND NOTICE OF HEARING**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Michael Lauer (“Lauer” or “Respondent”).

**II.**

After an investigation, the Division of Enforcement alleges that:

1. Lauer, age 53, resides in New York, New York. Lauer was the founder, sole manager and principal owner of Lancer Management Group, LLC and Lancer Management Group II, LLC (“Lancer Management”). From 1999 until July 2003, through his control of Lancer Management, Lauer acted as an unregistered investment advisor for certain hedge funds, including Lancer Offshore, Inc., Lancer Partners, LP, Omnifund, Ltd., LSPV, Inc. and LSPV, LLC (collectively the “Funds”). At their peak, the Funds were purportedly worth more than \$1 billion. Lauer received compensation for providing investment advice to the Funds.

2. On July 8, 2003, the Commission filed a civil injunctive action against Respondent in the United States District Court for the Southern District of Florida, alleging Respondent violated the anti-fraud provisions of the federal securities laws. See Securities and Exchange Commission v. Michael Lauer, et al., Case No. 03-80612.

3. More specifically, the Commission's complaint alleged that Respondent manipulated the closing prices of certain of the Funds' holdings in virtually worthless companies to overstate the performances and net asset values ("NAVs") of the Funds. Respondent's fraudulent trading practices and outlandish valuations caused the Funds to amass hundreds of millions of dollars from investors and allowed Respondent to receive tens of millions of dollars in fees.

4. On September 23, 2008, the District Court entered an order and opinion on the Commission's motion for summary judgment against Respondent. The District Court found as a matter of law that Respondent violated Sections 17(a)(1), (2) and (3) of the Securities Act of 1933 ("Securities Act"), Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder, both individually and as a control person pursuant to Section 20(a) of the Exchange Act, and Sections 206(1) and 206(2) of the Advisers Act. The Court also permanently enjoined Respondent from future violations of Section 17(a)(1)-(3) of the Securities Act, Section 10(b) and Rule 10b-5 of the Exchange Act, and Sections 206(1) and 206(2) of the Advisers Act.

5. The 67-page Opinion and Order contained 80 paragraphs of factual findings and 19 pages of legal conclusions showing that from 1999 through 2003, Respondent violated the federal securities laws that served as the basis of the permanent injunction. The Court specifically found that Respondent conducted an elaborate scheme to defraud investors, including artificially inflating the Funds' NAVs, writing and issuing false and misleading PPMs and investor newsletters, and providing sham portfolios to investors. The Court further found that Respondent's conduct was egregious, pervasive, premeditated and resulted in the loss of hundreds of millions of dollars in investors' funds and that Respondent's scienter is highlighted by the pains he took to hide the contents of the portfolios and the intricate nature of the fraud.

### **III.**

In view of the allegations made by the Division of Enforcement, the Commission deems it appropriate and in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II are true and, in connection therewith, to afford the Respondents an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act.

### **IV.**

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If the Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

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

Florence E. Harmon  
Acting Secretary