

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 64377 / May 2, 2011

INVESTMENT ADVISERS ACT OF 1940
Release No. 3192 / May 2, 2011

ADMINISTRATIVE PROCEEDING
File No. 3-14362

In the Matter of

LAWRENCE R. GOLDFARB,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934
AND SECTION 203(f) OF THE
INVESTMENT ADVISERS ACT OF 1940,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS**

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 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Lawrence R. Goldfarb (“Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over him and the subject matter of these proceedings, and the findings contained in Section III.2 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. Goldfarb from 2005 through the present was the sole active managing member of Baystar Capital Management, LLC ("Baystar Capital Management"), which served as the investment adviser to Baystar Capital II, L.P. ("Baystar II"), a hedge fund. Baystar Capital Management was not registered with the Commission. According to FINRA's Web CRD database, Goldfarb from January 2008 through January 2009 was associated with a broker-dealer registered with the Commission. Goldfarb, 52 years old, is a resident of San Anselmo, California.

2. On March 16, 2011, a final judgment was entered by consent against Goldfarb, permanently enjoining him from future violations of Sections 206(1), 206(2), and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder, in the civil action entitled Securities and Exchange Commission v. Lawrence R. Goldfarb and Baystar Capital Management, LLC, Civil Action Number CV-11-0938 WHA, in the United States District Court for the Northern District of California.

3. The Commission's complaint, the allegations of which Goldfarb neither admits nor denies, alleges that from 2006 to August 2010, Goldfarb employed a device, scheme, or artifice to defraud by failing to disclose and distribute to investors the proceeds from a profitable side pocket investment. It further alleges that rather than return the proceeds to investors, Goldfarb instead used the funds to make new investments by way of other entities in which he had a significant interest. According to the Commission's complaint, these new investments were not disclosed to the fund's investors until August 2010.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Goldfarb's Offer.

Accordingly, it is hereby ORDERED:

Pursuant to Section 15(b)(6) of the Exchange Act and Section 203(f) of the Advisers Act, that Respondent Goldfarb be, and hereby is, barred from association with any broker, dealer, investment adviser, municipal securities dealer, or transfer agent, and from participating in any offering of penny stock, with the right to reapply for association after 5 years to the appropriate self-regulatory organization, or if there is none, to the Commission.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Elizabeth M. Murphy
Secretary

Service List

Rule 141 of the Commission's Rules of Practice provides that the Secretary, or another duly authorized officer of the Commission, shall serve a copy of the Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions (“Order”), on the Respondent and his legal agent.

The attached Order has been sent to the following parties and other persons entitled to notice:

Honorable Brenda P. Murray
Chief Administrative Law Judge
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-2557

Erin E. Schneider, Esq.
San Francisco Regional Office
Securities and Exchange Commission
44 Montgomery Street, Suite 2600
San Francisco, CA 94104

Mr. Lawrence R. Goldfarb
c/o Richard J. Nelson, Esq.
Sideman & Bancroft LLP
One Embarcadero Center, Eighth Floor
San Francisco, CA 94111
Counsel for Lawrence R. Goldfarb

Richard J. Nelson, Esq.
Sideman & Bancroft LLP
One Embarcadero Center, Eighth Floor
San Francisco, CA 94111
Counsel for Lawrence R. Goldfarb