

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 3124 / December 17, 2010

ADMINISTRATIVE PROCEEDING
File No. 3-14165

In the Matter of

DANIEL SPITZER,

Respondent.

ORDER INSTITUTING
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 Daniel Spitzer (“Respondent” or “Spitzer”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

1. Spitzer, 51 years old, resides in North Barrington, Illinois. Spitzer controlled the following entities: Kenzie Financial Management, Inc.; Kenzie Services LLC; Draseena Funds Group, Corp.; Nerium Management Co.; Aneesard Management LLC; DN Management Co. LLC; Arrow Fund, LLC; Arrow Fund II, LLC; Conservium Fund, LLC; Nerium Currency Fund, LLC; Senior Strength Q Fund, LLC; SSecurity Fund, LLC; Three Oaks Advanced Fund, LLC; Three Oaks Currency Fund, LP; Three Oaks Fund, LP; Three Oaks Fund 25, LLC; Three Oaks Senior Strength Fund, LLC; and USFirst Fund, LLC. These entities include purported investment funds that supposedly invested in, among other things, foreign currency trading and the funds’ purported

management companies. Spitzer acted as an investment adviser by compensating himself for purportedly providing investment advice to his investors.

B. ENTRY OF THE INJUNCTION

2. On December 6, 2010, a final judgment was entered against Spitzer, permanently enjoining him from future violations of Section 17(a) of the Securities Act of 1933 (“Securities Act”), Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 promulgated thereunder, and Sections 206(1), 206(2) and 206(4) of the Investment Advisers Act of 1940 (“Advisers Act”) and Rule 206(4)-8 promulgated thereunder, in the civil action entitled Securities and Exchange Commission v. Daniel Spitzer, et al., Civil Action No. 10 C 3758, in the United States District Court for the Northern District of Illinois.

3. The Commission’s complaint alleged that from at least 2004 to June 2010, Spitzer, personally and through eighteen entities he controlled, orchestrated a fraudulent scheme in which he raised \$105,875,029 and involved approximately 400 investors. Spitzer, individually and through his entities and various sales agents, represented to these investors that their money would be invested in investment funds that, in turn, would be invested primarily in foreign currency trading. They all further represented to investors that Spitzer’s investment funds had not lost money and had profitable historical returns. In reality, Spitzer used \$71,886,926 of the investor proceeds to make Ponzi payments to other investors to keep his scheme afloat. As part of his scheme, Spitzer regularly collectively transferred and commingled investor funds in an elaborate web of domestic and offshore entity accounts. To cover up his scheme and in furtherance of it, Spitzer issued to his investors false periodic statements and false Schedule K-1s, which provided investors with inflated returns leading them to believe that their investments with Spitzer were profitable. However, in light of the Ponzi payments, investment losses, and payments for purported expenses, these statements were all false and misleading because Spitzer’s touted returns were not achievable.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate 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 Respondent 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 hereof 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 the 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, the 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 the 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, 17 C.F.R. § 201.360(a)(2).

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.

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 203(f) of the Investment Advisers Act of 1940 and Notice of Hearing ("Order") on the Respondent.

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
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