

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 97921 / July 17, 2023

ADMINISTRATIVE PROCEEDING
File No. 3-19494

In the Matter of

HCR Wealth Advisors,

Respondent.

**NOTICE OF PROPOSED PLAN OF
DISTRIBUTION AND
OPPORTUNITY FOR COMMENT**

Notice is hereby given, pursuant to Rule 1103 of the United States Securities and Exchange Commission's (the "Commission") Rules on Fair Fund and Disgorgement Plans (the "Commission's Rules"), 17 C.F.R. § 201.1103, that the Division of Enforcement has submitted to the Commission a proposed plan of distribution (the "Proposed Plan") for the distribution of monies paid in the above-captioned matter.

On September 23, 2019, the Commission issued an Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (the "Order")¹ against HCR Wealth Advisors ("HCR" or the "Respondent"). In the Order, the Commission found that HCR failed to reasonably supervise Jeremy Joseph Drake ("Drake"), formerly an investment adviser representative of HCR, and failed to implement reasonable compliance-related policies and procedures in response to red flags about Drake's handling of client accounts. The Commission found that, from 2012 to July 2016, Drake defrauded two HCR clients, a married couple, out of approximately \$1.2 million in management fees, approximately \$900,000 of which Drake received as incentive-based compensation from HCR. According to the Order, during the same period, Drake misappropriated approximately \$215,000 from the accounts of four HCR clients, including the married couple and two other individuals, to support a struggling restaurant that was majority owned by the married couple and in which Drake held a minority ownership interest.

The Commission ordered the Respondent to pay a civil money penalty of \$220,000 to the Commission. The Order provided that the Commission may distribute the civil money penalties if, in its discretion, the Commission orders the establishment of a Fair Fund pursuant to 15 U.S.C. § 7246, Section 308(a) of the Sarbanes-Oxley Act of 2002.

¹ Advisers Act Rel. No. 5361 (Sept. 23, 2019).

The Respondent has paid a total of \$220,000.00 pursuant to the Order.

Prior to entry of the Order, HCR paid the married couple \$300,000. Drake also paid the married couple \$600,000 in partial satisfaction of a criminal restitution Order entered against him. Drake additionally reimbursed the third client from the restaurant account that he controlled. Further, in connection with the issuance of the Order, Respondent voluntarily undertook to pay the married couple an additional \$328,912.20, which fully compensated them for their losses of \$1.2 million resulting from Drake's management-fee fraud. The fourth individual, who was defrauded when Drake transferred \$100,000 from her account to the restaurant's account, remains uncompensated.

On December 2, 2021, the Commission issued an order establishing a Fair Fund (the "Fair Fund"), pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, so the civil money penalty paid by HCR can be distributed to the remaining harmed investor.²

The assets of the Fair Fund are subject to the continuing jurisdiction and control of the Commission. The Fair Fund has been deposited in a Commission-designated account at the U.S. Department of the Treasury, and any interest accrued will be added to the Fair Fund.

OPPORTUNITY FOR COMMENT

Pursuant to this Notice, all interested persons are advised that they may obtain a copy of the Plan from the Commission's public website at <http://www.sec.gov/litigation/fairfundlist.htm>. Interested persons may also obtain a written copy of the Proposed Plan by submitting a written request to Nancy Chase Burton, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-5876. All persons who desire to comment on the Proposed Plan may submit their comments, in writing, no later than thirty (30) days from the date of this 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 e-mail to rule-comments@sec.gov.

Comments submitted by email or via the Commission's website should include "Administrative Proceeding File No. 3-19494" in the subject line. Comments received will be publicly available. Persons should submit only information they wish to make publicly available.

² Order Establishing a Fair Fund, Exchange Act Rel. No. 93706 (Dec. 2, 2021).

THE PROPOSED PLAN

The Net Available Fair Fund³ is comprised of the \$220,000.00 in civil money penalties paid by the Respondent, plus interest and income earned thereon, less taxes, fees, and expenses. The Proposed Plan provides for the distribution of the Net Available Fair Fund to the one remaining harmed investor who suffered a Net Loss as a result of the conduct described in the Order in accordance with paragraph 10 of the Proposed Plan.

For the Commission, by the Division of Enforcement, pursuant to delegated authority.⁴

Vanessa A. Countryman,
Secretary

³ All capitalized terms used herein but not defined shall have the same meanings ascribed to them in the Proposed Plan.

⁴ 17 C.F.R. § 200.30-4(a)(21)(iii).