UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 6593 / April 22, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-21918

In the Matter of

LM Global Investments LLC, d/b/a Fratarcangeli Wealth Management, and Jeffrey M. Fratarcangeli,

Respondents.

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

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 ("Advisers Act") against LM Global Investments, LLC, d/b/a Fratarcangeli Wealth Management ("FWM") and Jeffrey M. Fratarcangeli, ("Fratarcangeli") (together, "Respondents").

II.

In anticipation of the institution of these proceedings, Respondents have 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 them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this 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 ("Order"), as set forth below.

III.

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

Summary

1. From at least 2017 to April 2022 ("Relevant Period"), investment adviser FWM and its owner, Fratarcangeli, placed the majority of their clients in FWM-managed accounts that invested in accordance with FWM-developed models. Many of FWM's models made investments based on, and bore names similar to, investment strategies managed by third-party money managers. In certain written proposals and communications with prospective and existing advisory clients, Respondents failed to differentiate between the FWM models and the third-party strategies on which they were based and therefore did not describe clearly that clients would be invested in FWM's models, and not directly in the third-party strategies. Respondents also often included historical performance and fact sheets for the third-party strategies in information provided to prospective clients and clients without making it clear that FWM's investments would differ from the strategies reflected in those materials. As a result, these written communications were misleading in their presentation of clients' investments or proposed investments and performance history.

Respondents

2. **LM Global Investments LLC, d/b/a Fratarcangeli Wealth Management**, a Florida limited liability company formed in February 2014 and headquartered in Fort Lauderdale, Florida, is an investment adviser through which Fratarcangeli services his advisory clients. FWM is not registered with the Commission in any capacity. Fratarcangeli is the sole owner and managing member of FWM. FWM has offices in Florida, Michigan, and Indiana, and employs client relationship managers, operations personnel, and a trader that places securities trades for investments FWM selects for its clients.

3. **Jeffrey M. Fratarcangeli**, a Florida resident, was an independent investment adviser representative ("IAR") and registered representative associated with a dually registered broker-dealer and investment adviser headquartered in Missouri ("Adviser") from March 2014 to December 2023. The Adviser provides investment advisory and other financial services to clients through independent contractor representatives such as Fratarcangeli. Fratarcangeli is currently an independent IAR associated since December 2023 with a registered investment adviser headquartered in Indianapolis, Indiana (the "Current Adviser"), and associated since January 2024 as a registered representative with the Current Adviser's affiliated broker-dealer.

FWM Offered FWM-Managed and Third-Party Managed Accounts

4. During the Relevant Period, Respondents managed advisory client assets as part of the Adviser, which provided Respondents with a number of investment program options for FWM's and Fratarcangeli's clients.

5. For a small subset of accounts (the "Third-Party Managed Accounts"), FWM invested client assets directly in investment strategies in which Adviser analysts or third-party managers approved by the Adviser selected the investments rather than FWM ("Third-Party Strategies"). For instance, Respondents invested some Third-Party Managed Accounts in the MANAGER A Income Growth Strategy ("Income Growth Strategy"), managed by MANAGER A, a third-party investment adviser. Fact sheets prepared by MANAGER A during the Relevant Period stated that the Income Growth Strategy was "focused on the long-term" and used "high-quality, 'dividend growth' stocks," and compared the performance of the Income Growth Strategy to the Russell 1000 Value Total Return index.

6. In most client accounts (the "FWM-Managed Accounts"), Respondents retained full discretionary authority over client assets and selected the investments for those clients. FWM developed a variety of models through which it selected investments for FWM-Managed Accounts. FWM often based its models on Third-Party Strategies.

7. For example, FWM based its FWM "MANAGER A Model" on the research and holdings of MANAGER A's Income Growth Strategy, by selecting certain investments from the holdings MANAGER A reported for the Income Growth Strategy.

8. FWM's models based on Third-Party Strategies, such as its MANAGER A Model, often used many of the same securities selected by the third-party managers. However, FWM did not replicate the Third-Party Strategies exactly, either in terms of security selection, weighting, or timing of purchases or sales of individual securities. FWM also often customized the models for individual clients based on the client's investment profile. For this reason, FWM's clients in FWM-Managed Accounts and FWM models during the Relevant Period did not have the same performance results as the Third-Party Strategies on which the FWM models were based. FWM also created models that combined two or more of the FWM models based on Third-Party Strategies, and also often allocated client assets across multiple FWM models to achieve different risk levels for different clients. This resulted in further discrepancies in performance from client accounts invested in the FWM models compared to performance of the Third-Party Strategies.

FWM's Communications to Clients Concerning FWM-Managed Accounts

9. In written proposals and emails to prospective and existing advisory clients during the Relevant Period, Respondents often described investment recommendations in a way that failed to differentiate clearly between FWM's models and the Third-Party Strategies. FWM often sent these emails before or after meetings with the prospective or current advisory clients about FWM's recommendations. The written materials provided to the prospective and existing clients often referenced the Third-Party Strategies, listed the names of the Third-Party Strategies in tables reflecting proposed investments, attached fact sheets prepared by the managers of the Third-Party Strategies, or included FWM-created charts reflecting the Third-Party Strategies' historic performance rather than the performance of the FWM models that clients were actually invested in.

10. For example, Respondents presented prospective clients with written proposals that (1) listed as proposed investments "[MANAGER A] – Income Growth;" (2) included an FWM-

created chart of the historical performance of the third-party-managed Income Growth Strategy; or (3) were accompanied by fact sheets prepared by MANAGER A for its Income Growth Strategy.

11. Respondents' written communications also at times used misleading language when describing to existing clients in the FWM models how their money was invested. For example, Respondents wrote to certain clients that they were "… invested in high quality dividend paying managers [a Third Party Strategy] / [MANAGER A] …" when they were invested in FWM models based on those Third-Party Strategies, or, "Fund will be invested into the High Quality Dividend Strategy [MANAGER A]/[a Third Party Strategy]," along with fact sheets about the Third-Party Strategies, not FWM models.

12. Client communications such as these were misleading because they failed to explain that clients in FWM-Managed Accounts were not and would not be invested in the Third-Party Strategies named in the emails or reflected in attached fact sheets; that the historical performance information FWM provided to clients was different from the performance of FWM's models; or that FWM would not invest clients in the exact same securities with the same weighting and at the same time as the Third-Party Strategies described in the communications.

Violations

13. As a result of the conduct described above, FWM willfully[1] violated, and Fratarcangeli caused FWM's violations of Section 206(2) of the Advisers Act, which makes it unlawful for any investment adviser, directly or indirectly, to "engage in any transaction, practice or course of business which operates as a fraud or deceit upon any client or prospective client." Scienter is not required to establish a violation of Section 206(2), but rather a violation may rest on a finding of negligence. *SEC v. Steadman*, 967 F.2d 636, 643 n.5 (D.C. Cir. 1992) (citing *SEC v. Capital Gains Research Bureau, Inc.*, 375 U.S. 180,194-95 (1963)).

Undertakings

14. Respondents have undertaken to:

a) Within 30 days of the entry of this Order, notify advisory clients of the settlement terms of this Order by sending a copy of this Order to each advisory client via mail, email, or such other method not unacceptable to the Commission staff, together with a cover letter in a form not unacceptable to the Commission staff.

[1] "Willfully," for purposes of imposing relief under Section 203(e) of the Advisers Act, "'means no more than that the person charged with the duty knows what he is doing.'" *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965). The decision in *The Robare Group, Ltd. v. SEC*, which construed the term "willfully" for purposes of a differently structured statutory provision, does not alter that standard. 922 F.3d 468, 478-79 (D.C. Cir. 2019) (setting forth the showing required to establish that a person has "willfully omit[ed]" material information from a required disclosure in violation of Section 207 of the Advisers Act).

b) Within 30 days of the entry of this Order, evaluate, update and review FWM's marketing and client communications, its policies and procedures concerning marketing and client communications, and compliance with the Current Adviser's policies and procedures concerning marketing and client communications.

c) Within 60 days of the entry of this Order, provide 8 hours of training for all FWM staff about FWM's marketing and client communications and all related policies and procedures applicable to FWM staff.

d) Certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertaking(s), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The certification and supporting material shall be submitted to Jeffrey Shank, Assistant Regional Director, Asset Management Unit, Chicago Regional Office, Securities and Exchange Commission, 175 West Jackson Boulevard, Suite 1450, Chicago, IL 60604, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than thirty (30) days from the date of the completion of the undertakings.

e) For good cause shown, the Commission staff may extend any of the procedural dates relating to the undertakings set forth in Paragraphs 14.a through 14.d above. Deadlines for procedural dates shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered the last day.

IV.

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

Accordingly, pursuant to Sections 203(e) and 203(k) of the Advisers Act, it is hereby ORDERED that:

A. Respondents cease and desist from committing or causing any violations and any future violations of Section 206(2) of the Advisers Act.

B. Respondent FWM is censured.

C. Respondent FWM shall, within fourteen (14) days of the entry of this Order, pay a civil money penalty in the amount of $100,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Section 21F(g)(3) of the Securities Exchange Act of 1934 ("Exchange Act"). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

D. Respondent Fratarcangeli shall, within fourteen (14) days of the entry of this Order, pay a civil money penalty in the amount of $50,000 to the Securities and Exchange

Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

E. Payments made pursuant to Sections C. and D. must be made in one of the following ways:

(1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/ offices/ofm.htm; or

(3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying payor(s) as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Jeffrey Shank, Assistant Regional Director, Asset Management Unit, Chicago Regional Office, Securities and Exchange Commission, 175 West Jackson Boulevard, Suite 1450, Chicago, IL 60604.

F. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within thirty (30) days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

G. Respondents shall comply with the undertakings enumerated in Section III, Paragraphs 14.a through 14.d above.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Respondent Fratarcangeli, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent Fratarcangeli under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent Fratarcangeli of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary