UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 100691 / August 12, 2024

INVESTMENT ADVISERS ACT OF 1940
Release No. 6647

ADMINISTRATIVE PROCEEDING
File No. 3-21990

In the Matter of **CADARET, GRANT & CO., INC.** **Respondent.**	**ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTION 15(b) OF THE SECURITIES EXCHANGE ACT OF 1934 AND 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 Section 15(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 ("Advisers Act") against Cadaret, Grant & Co., Inc. ("Cadaret Grant" or "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 it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and 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 Respondent's Offer, the Commission finds[1] that:

Summary

1. These proceedings arise out of breaches of fiduciary duty by Cadaret Grant, a dually registered investment adviser and broker-dealer, in connection with its receipt of third-party compensation based on advisory client investments. Cadaret Grant failed to provide full and fair disclosure regarding conflicts of interest associated with its receipt of: (1) revenue sharing payments from Cadaret Grant's unaffiliated clearing broker ("Clearing Broker") as a result of advisory clients' investments in certain no-transaction fee ("NTF") mutual fund share classes from at least January 2017 until January 2020; (2) revenue sharing payments from its Clearing Broker as a result of sweeping cash into certain money market mutual funds ("money market funds") from at least January 2017 until March 2022; and (3) markups on the Clearing Broker's fees for certain advisory clients' transaction fees ("transaction fee markups") from at least January 2017 until June 2020. Cadaret Grant also breached its duty to seek best execution by causing certain advisory clients to invest in certain share classes of NTF mutual funds when share classes of the same funds were available to the clients that presented a more favorable value for these clients under the particular circumstances in place at the time of the transactions, and Cadaret Grant breached its duty of care by failing to undertake an analysis to determine whether the particular mutual fund share class and money market fund it recommended was in the best interests of its advisory clients. Finally, Cadaret Grant failed to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder in connection with its practices regarding mutual fund share class and money market fund selection, transaction fee markups, and seeking best execution.

Respondent

2. **Cadaret, Grant & Co., Inc**, is a Delaware corporation headquartered in Syracuse, New York. Cadaret Grant has been registered with the Commission as an investment adviser since 1992 and as a broker-dealer since 1982. In April 2018, Atria Wealth Solutions, Inc. ("Atria"), through a wholly-owned subsidiary, purchased Cadaret Grant. In its most recent Form ADV filed on March 28, 2024, Cadaret Grant reported that it maintained over $6.8 billion of regulatory assets under management from 18,353 advisory clients.

Revenue Sharing Payments

3. Mutual funds typically offer different types of shares or "share classes." Each share class represents an interest in the same portfolio of securities with the same investment objective. The primary difference among share classes is the fee structure.

[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

4. For example, some mutual fund share classes charge higher fees to cover costs of fund distribution and shareholder services. These fees negatively affect investor returns as the charges are deducted from the mutual fund's assets. As a result, clients are often, though not always, better off investing in a mutual fund share class that does not include these additional fees versus a share class of the same fund that charges such a fee.

5. Many mutual funds pay the Clearing Broker a recurring fee to have some or all of their fund share classes offered as part of the Clearing Broker's mutual fund programs. Cadaret Grant had an agreement with the Clearing Broker referred to as the Fully Disclosed Clearing Agreement ("Clearing Agreement") in which the Clearing Broker would share a portion of this recurring fee (*i.e.*, mutual fund revenue) with Cadaret Grant based on its customer assets, including its advisory clients' assets, invested in certain mutual fund shares. Cadaret Grant's clients indirectly paid these fees when they were included in the expense ratio of the mutual fund share class in which they invested. The Clearing Broker did not pay Cadaret Grant any form of revenue sharing for some mutual funds and certain share classes of mutual funds. As a result of the revenue sharing agreements, Cadaret Grant had an incentive to recommend mutual funds and mutual fund share classes that paid it revenue sharing as opposed to those that did not.

6. As an investment adviser, Cadaret Grant has an obligation to disclose all material facts to its advisory clients relating to the advisory relationship, including any conflicts of interest between itself and its clients. To meet this fiduciary obligation, Cadaret Grant was required to provide its advisory clients with full and fair disclosure that was sufficiently specific so that its clients could understand the conflicts of interest concerning Cadaret Grant's investment advice and have an informed basis on which to consent to or reject the conflicts.

No Transaction Fee Program Revenue Sharing

7. From at least January 2017, the Clearing Broker had a "no transaction fee" program ("NTF Program") for which it did not charge a transaction fee for the purchase or sale of mutual fund shares in the NTF Program. The Clearing Broker generally charged funds a higher recurring fee for a mutual fund's shares to be part of the NTF Program as compared to being sold outside of that program. As a result, mutual fund share classes sold through the NTF Program often had higher expense ratios than mutual fund share classes sold outside that program.

8. From at least January 2017, Cadaret Grant had a revenue sharing arrangement with the Clearing Broker pursuant to which the Clearing Broker would share with Cadaret Grant a portion of the recurring fee (*i.e.*, mutual fund revenue) that the Clearing Broker received from mutual funds that were part of its NTF Program. The percentage that the Clearing Broker shared increased with the level of the assets held by Cadaret Grant's brokerage customers, including assets held by advisory clients, who invested in NTF Program mutual funds. Lower-cost share classes of those same mutual funds were also generally available for which the Clearing Broker would have paid no or lower revenue sharing.

9. From at least January 2017 through January 2020, Cadaret Grant failed to provide full and fair disclosure of all material facts regarding its practices for selecting NTF mutual fund share classes and the conflicts of interest that arose when its advisory clients were invested in mutual fund share classes that paid NTF Program revenue sharing to Cadaret Grant. For example, prior to August 2019, Cadaret Grant only disclosed in its Forms ADV Part 2A ("Brochure") that it "may" receive compensation from the Clearing Broker in connection with its NTF Program, while it did in fact receive this compensation. Additionally, even when Cadaret Grant removed the "may" language, it failed to disclose until January 2020 that it had a conflict of interest because the revenue sharing payments gave it an incentive to invest clients in the NTF Program mutual fund shares that were generally more expensive to its clients than lower cost share classes of the same funds available outside the NTF Program.

Cash Sweep Revenue Sharing Payments

10. A sweep account is a money market fund or bank account used by brokerages to hold uninvested cash (*e.g.*, incoming cash deposits, dividends, or certain investment returns) until the investor or its adviser decides how to invest the money ("Sweep Account"). A money market fund is a type of mutual fund registered under the Investment Company Act of 1940 and regulated pursuant to Rule 2a-7 under that Act. Money market funds generally invest in short term, highly liquid securities with limited credit risk, and are frequently used in Sweep Accounts. The investment yields and expense ratio of a money market fund will differ from fund to fund.

11. From at least January 2017, the Clearing Agreement provided for the Clearing Broker to share with Cadaret Grant a portion of the revenue the Clearing Broker received in connection with certain money market funds offered to Sweep Accounts. Under this arrangement, the Clearing Broker provided Cadaret Grant with a list of many money market funds available as Sweep Account options for Cadaret Grant's advisory clients. The amount of revenue sharing Cadaret Grant received varied depending on the money market fund recommended by Cadaret Grant and selected by advisory clients. From at least January 2017 until January 2023, Cadaret Grant made available to its advisory clients only Sweep Account money market fund options for which Cadaret Grant received revenue sharing payments from the Clearing Broker, even though the Clearing Broker made other money market funds available to Cadaret Grant for which Cadaret Grant would have received less or no revenue sharing.

12. Cadaret Grant had a conflict of interest when it recommended Sweep Account money market fund options to its advisory clients for their selection that resulted in its receipt of revenue sharing payments. In particular, the Sweep Account money market fund options available on the Clearing Broker's platform for which Cadaret Grant received revenue sharing generally charged higher fees and had at times returned lower investment yields to clients. Conversely, the Sweep Account money market fund options available on the Clearing Broker's platform that paid no or lower revenue sharing generally charged lower fees and had at times returned higher investment yields to clients.

13. Cadaret Grant recommended that its advisory clients hold uninvested cash in Sweep Account money market fund options for which the Clearing Broker had agreed to pay Cadaret Grant revenue sharing even though the Clearing Broker made other money market funds available to Cadaret Grant that at times would have paid Cadaret Grant's clients higher yields, but for which Cadaret Grant would have received less or no revenue sharing. When Cadaret Grant made available to its advisory clients only certain Sweep Account options for which Cadaret Grant received revenue sharing, Cadaret Grant's interests were in conflict with its advisory clients' interests because Cadaret Grant had an incentive to recommend cash sweep products that paid revenue sharing to Cadaret Grant. During the relevant period, Cadaret Grant received revenue sharing payments from its Clearing Broker for Cadaret Grant's advisory client investments in cash sweep money market funds.

14. From at least January 2017 until March 2022, Cadaret Grant failed to provide full and fair disclosure in its Brochures or otherwise that it received revenue sharing payments from its Clearing Broker on advisory clients' money market fund holdings in Sweep Accounts or the conflicts of interest that arose from this arrangement. Specifically, prior to August 2019, Cadaret Grant only disclosed in its Brochure that it "may" receive compensation from its Clearing Broker in connection with money market funds, while it did in fact receive this compensation. Even when Cadaret Grant revised its Brochure to remove the "may" language, its disclosures remained deficient because, for example, until March 2022, Cadaret Grant did not disclose to advisory clients the availability of other money market funds on the Clearing Broker's platform that paid no or lower revenue sharing, generally charged lower fees, and had at times returned higher investment yields to clients.

15. Beginning in June 2021, all new Cadaret Grant advisory clients had their uninvested cash swept into a cash sweep product that did not pay revenue sharing, and in January 2023, Cadaret Grant converted all remaining clients from existing money market funds that generated revenue for Cadaret Grant to the non-revenue sharing cash sweep product

Transaction Fee Markups

16. The Clearing Agreement, among other things, sets forth a transaction fee pricing schedule that detailed the fees Cadaret Grant paid the Clearing Broker for providing execution, clearing, and custody for Cadaret Grant's brokerage customers, including the advisory clients of Cadaret Grant. The Clearing Agreement acknowledged that Cadaret Grant established the fee schedule for its brokerage customers. Under the Clearing Agreement, the Clearing Broker was responsible for billing Cadaret Grant's brokerage customers the total fees for services provided by both Cadaret Grant and the Clearing Broker, and then remitting a portion of the fees to Cadaret Grant.

17. From at least January 2017, as permitted by the Clearing Agreement, Cadaret Grant set its transaction fees for mutual fund purchases at an amount that included a transaction fee markup. Cadaret Grant instructed the Clearing Broker to bill these fees to its brokerage customers, including advisory clients, who paid the Clearing Broker more for transaction fees than what the Clearing Broker charged Cadaret Grant. Cadaret Grant received the transaction fee markup from the Clearing Broker.

18. From at least January 2017 through June 2020, Cadaret Grant did not provide full and fair disclosure to its advisory clients of the transaction fee markups or the conflicts of interest relating to the transaction fee markups that it received. For example, prior to August 2019, Cadaret Grant failed to disclose that it determined the amount of transaction fees, that the transaction fees included a markup above the amount that the Clearing Broker charged Cadaret Grant's advisory clients, and that the Clearing Broker paid Cadaret Grant the amount of the transaction fee markup. After August 2019, while Cadaret Grant added disclosure in its Brochure that it received a portion of the transaction fees charged by the Clearing Broker, it still failed to disclose, for example, that Cadaret Grant set transaction fees at amounts higher than the amount retained by the Clearing Broker or the conflicts of interest that arise from determining the amount of the transaction fee markups and receiving this additional revenue.

19. In June 2020, Cadaret Grant revised its Brochure and its Form CRS to add disclosures regarding its transaction fee markups and the conflicts of interest that arise from transaction fee markups. Prior to the Commission's investigation, Cadaret Grant reimbursed advisory clients $607,522 in transaction fee markups.

Duty of Care Failures

20. An investment adviser's fiduciary duty also includes a duty of care. To fulfill this obligation, an adviser, among other things, must provide investment advice in the best interest of its client based on the client's objectives and seek best execution for client transactions.

21. From at least January 2017 until at least January 2020, Cadaret Grant breached its duty to seek best execution by causing certain advisory clients to invest in share classes of NTF mutual funds that resulted in higher revenue sharing payments from the Clearing Broker when share classes of the same funds were available to the clients that presented a more favorable value under the particular circumstances in place at the time of the transactions, and Cadaret Grant breached its duty of care by failing to undertake an analysis to determine whether the particular mutual fund share classes it recommended were in the best interests of its advisory clients.

22. Cadaret Grant also did not fulfill its duty of care obligations from at least January 2017 until at least January 2023, prior to which it had advised clients with respect to money market funds without undertaking an analysis to determine whether the money market funds it selected or recommended were in the best interests of its advisory clients.

Compliance Deficiencies

23. Cadaret Grant did not adopt and implement written policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder concerning disclosure of all material facts, including its practices regarding the selection of mutual fund share classes, the selection of money market funds, transaction fee markups, and the resulting conflicts of interest. In addition, while Cadaret Grant had written policies and procedures since at least January 2017 that explained that it has an obligation to always act in the clients' best interest, Cadaret Grant did not adequately implement those policies and procedures. Finally, Cadaret Grant failed to adopt or implement written policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder relating to its obligation to seek best execution for its clients.

Violations

24. As a result of the conduct described above, Cadaret Grant willfully[2] violated 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. 180,195 (1963)).

25. As a result of the conduct described above, Cadaret Grant willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder, which require a registered investment adviser to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder.

Disgorgement

26. The disgorgement and prejudgment interest ordered in Section IV.C is consistent with equitable principles and does not exceed Respondent's net profits from its violations, and will be distributed to harmed investors to the extent feasible. Upon approval of the distribution final accounting by the Commission, any amounts remaining that are infeasible to return to investors may be transferred by the Commission to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

---

[2] "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).

Undertakings

27. Cadaret Grant has undertaken to:

Steps Taken To Date

a. Respondent has certified that it has reviewed and corrected as necessary all relevant disclosures concerning NTF and money market fund revenue sharing, transaction fee markups, and best execution.

b. Respondent has certified that it has evaluated and updated (if necessary) that the Sweep Account options are in the best interest of advisory clients.

c. Respondent has certified that it has evaluated, updated (if necessary), and reviewed for the effectiveness of their implementation Respondent's policies and procedures so that they are reasonably designed to prevent violations of the Advisers Act and the rules thereunder in connection with its practices involving NTF and money market fund revenue sharing, transaction fee markups, and best execution.

d. In determining whether to accept the Offer, the Commission has considered the undertakings set forth in paragraph 27.a., 27.b., and 27.c. above.

Steps To Be Taken

e. Within thirty (30) days of the entry of this Order, evaluate whether existing clients should be moved to an available lower-cost share class or fund and move clients as necessary.

f. Within thirty (30) days of the entry of this Order, notify affected investors (*i.e.*, those former and current clients who were financially harmed by the practices detailed above (hereinafter, "affected investors")) of the settlement terms of this Order by sending a copy of this Order to each affected investor 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.

g. Within forty (40) days of the entry of this Order, certify, in writing, compliance with the undertaking(s) set forth in paragraphs 27.e. and 27.f. 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 Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence. The certification and supporting material shall be submitted to Kimberly L. Frederick, Assistant Regional Director, Asset Management Unit, Denver Regional Office, Securities and Exchange Commission, 1961 Stout Street, Suite 1700, Denver, CO 80294, or such other address as the Commission staff may provide, with a copy to the Office of Chief Counsel of the Division of Enforcement, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

h. For good cause shown, the Commission staff may extend any of the procedural dates relating to the undertakings. 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 Respondent's Offer.

Accordingly, pursuant to Section 15(b)(4) of the Exchange Act and Sections 203(e) and 203(k) of the Advisers Act, it is hereby ORDERED that:

A. Respondent cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-7 promulgated thereunder.

B. Respondent is censured.

C. Respondent shall pay disgorgement, prejudgment interest, and a civil penalty, totaling $6,041,426 as follows:

(i) Respondent shall pay disgorgement of $4,213,351 and prejudgment interest of $828,075 consistent with the provisions of this Subsection C.

(ii) Respondent shall pay a civil penalty in the amount of $1,000,000, consistent with the provisions of Subsection C.

(iii) Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended, a Fair Fund is created for the penalties, disgorgement, and prejudgment interest described above for distribution to affected investors. 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, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 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 Respondent 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.

(iv) Within ten (10) days of the issuance of this Order, Respondent shall deposit the disgorgement, prejudgment interest, and civil penalty totaling $6,041,426 (collectively, the "Fair Fund"), into an escrow account at a financial institution not unacceptable to the Commission staff and Respondent shall provide evidence of such deposit in a form acceptable to the Commission staff. The account holding the assets of the Fair Fund shall bear the name and the taxpayer identification number of the Fair Fund. If timely deposit into the escrow account is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 [17 C.F.R. § 201.600] and/or 31 U.S.C. § 3717.

(v) Respondent shall be responsible for administering the Fair Fund and may hire a professional at its own cost to assist it in the administration of the distribution. The costs and expenses of administering the Fair Fund, including any such professional services, shall be borne by Respondent and shall not be paid out of the Fair Fund.

(vi) Respondent shall distribute from the Fair Fund to each affected investor an amount representing the financial harm incurred by the affected investor, plus reasonable interest from any remaining funds, pursuant to a disbursement calculation (the "Calculation") that will be submitted to, reviewed, and approved by the Commission staff in accordance with this Subsection C. The Calculation shall be subject to a *de minimis* threshold. No portion of the Fair Fund shall be paid to any affected investor account in which Respondent, or any of its current or former officers or directors, has a financial interest.

(vii) Respondent shall, within ninety (90) days of the entry of this Order, submit a Calculation to the Commission staff for review and approval. At or around the time of submission of the proposed Calculation to the staff, Respondent shall make itself available, and shall require any third parties or professionals retained by Respondent to assist in formulating the methodology for its Calculation and/or administration of the distribution to be available for a conference call with the Commission staff to explain the methodology used in preparing the proposed Calculation and its implementation, and to provide the staff with an opportunity to ask questions. Respondent also shall provide the Commission staff such additional information and supporting documentation as the Commission staff may request for the purpose of its review. In the event of one or more objections by the Commission staff to Respondent's proposed Calculation or any of its information or supporting documentation, Respondent shall submit a revised Calculation for the review and approval of the Commission staff or additional information or supporting documentation within ten (10) days of the date that the Commission staff notifies Respondent of the objection. The revised Calculation shall be subject to all of the provisions of this Subsection C.

(viii) Respondent shall, within thirty (30) days of the written approval of the Calculation by the Commission staff, submit a payment file (the "Payment File") for review and acceptance by the Commission staff demonstrating the application of the methodology to each affected investor. The Payment File should identify, at a minimum: (1) the name of each affected investor; (2) the net amount of the payment to be made, less any tax withholding; (3) the amount of any *de minimis* threshold to be applied; and (4) the amount of reasonable interest paid. Respondent shall exclude from the payee file all payments to payees that appear on the U.S. Treasury Department Specially Designated Nationals List.

(ix) Respondent shall disburse all amounts payable to affected investors within ninety (90) days of the date the Commission staff accepts the Payment File unless such time period is extended as provided in Paragraph xiii of this Subsection C. Respondent shall notify the Commission staff of the date and the amount paid in the initial distribution.

(x) If Respondent is unable to distribute or return any portion of the Fair Fund for any reason, including an inability to locate an affected investor or a beneficial owner of an affected investment account or any other factors beyond Respondent's control, Respondent shall transfer any such undistributed funds to the Commission for transmittal to the United States Treasury subject to Section 21F(g)(3) of the Exchange Act once the distribution of funds is complete and before the final accounting provided for in Paragraph xii of this Subsection C is submitted to the Commission staff. Payment must be made in one of the following ways:

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

(b) Respondent 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

(c) Respondent 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 Cadaret, Grant & Co., Inc. as the 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 Kimberly L. Frederick, Assistant Regional Director, Asset Management Unit, Denver Regional Office, Securities and Exchange Commission, 1961 Stout Street, Suite 1700, Denver, CO 80294.

(xi) A Fair Fund is a Qualified Settlement Fund ("QSF") under Section 468B(g) of the Internal Revenue Code ("IRC"), 26 U.S.C. §§1.468B.1-1.468B.5. Respondent agrees to be responsible for all tax compliance responsibilities associated with the Fair Fund's status as a QSF. These responsibilities involve reporting and paying requirements of the Fair Fund, including but not limited to: (1) tax returns for the Fair Fund; (2) information return reporting regarding the payments to investors, as required by applicable codes and regulations; and (3) obligations resulting from compliance with the Foreign Account Tax Compliance Act ("FATCA"). Respondent may retain any professional services necessary. The costs and expenses of tax compliance, including any such professional services, shall be borne by Respondent and shall not be paid out of the Fair Fund.

(xii) Within 150 days after Respondent completes the disbursement of all amounts payable to affected investors, Respondent shall return all undisbursed funds to the Commission pursuant to the instruction set forth in this Subsection C. Respondent shall then submit to the Commission staff a final accounting and certification of the disposition of the Fair Fund for Commission approval, which final accounting and certification shall include, but not be limited to: (1) the amount paid to each payee, with reasonable interest amount, if any, reported separately; (2) the date of each payment; (3) the check number or other identifier of the money transferred; (4) the amount of any returned payment and the date received; (5) a description of the efforts to locate any prospective payee whose payment was returned or to whom payment was not made for any reason; (6) the total amount, if any, to be forwarded to the Commission for transfer to the United States Treasury;

and (7) an affirmation that Respondent has made payments from the Fair Fund to affected investors in accordance with the Calculation approved by the Commission staff. The final accounting and certification shall be submitted under a cover letter that identifies Respondent and the file number of these proceedings to Kimberly L. Frederick, Assistant Regional Director, Asset Management Unit, Denver Regional Office, Securities and Exchange Commission, 1961 Stout Street, Suite 1700, Denver, CO 80294. Respondent shall provide any and all supporting documentation for the accounting and certification to the Commission staff upon its request, and shall cooperate with any additional requests by the Commission staff in connection with the accounting and certification.

(xiii) The Commission staff may extend any of the procedural dates set forth in this Subsection C for good cause shown. Deadlines for dates relating to the Fair Fund shall be counted in calendar days, except if the last day falls on a weekend or federal holiday, the next business day shall be considered the last day.

D. Respondent shall comply with the undertakings enumerated in Section III, paragraphs 27.e. through 27.g. above.

By the Commission.

Vanessa A. Countryman
Secretary