UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 6696 / September 16, 2024

INVESTMENT COMPANY ACT OF 1940
Release No. 35324 / September 16, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-22116

In the Matter of

VORA WEALTH MANAGEMENT, PLLC and DHARMESH VIRENDRA VORA,

Respondents.

ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTIONS 203(e), 203(f) AND 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940, AND SECTION 9(b) OF THE INVESTMENT COMPANY 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), 203(f) and 203(k) of the Investment Advisers Act of 1940 ("Advisers Act") and Section 9(b) of the Investment Company Act of 1940 ("Investment Company Act") against Vora Wealth Management, PLLC ("Vora Wealth") and Dharmesh Virendra Vora ("Vora") (collectively, "Respondents").

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the "Offers") 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), 203(f), and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company 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' Offers, the Commission finds[1] that:

Summary

1. These proceedings arise out of breaches of fiduciary duty and compliance failures by Vora Wealth, a registered investment adviser, and Vora, Vora Wealth's sole owner and principal investment professional, who invested the majority of his advisory clients' assets in structured notes without adequate disclosure. Between at least November 6, 2020 through November 4, 2021, Vora Wealth and Vora used their discretionary authority over advisory client accounts to purchase structured notes that were inappropriate for the majority of their clients, particularly given the clients' expressed safety and income goals, net worth, retirement status, and sophistication. The structured notes were tied to four stocks traded on Nasdaq. Of the 872 client accounts with securities holdings at Vora Wealth, Vora invested approximately 738 accounts (85%) in these structured notes, using approximately $124 million of the approximately $139.5 million in Vora Wealth's total assets under management.

2. For many clients, including those who relied on distributions from their accounts as part of their monthly living expenses, Vora sold their annuities held at Vora's insurance firm to purchase the structured notes, Vora did not inform many of his clients that he purchased the structured notes until after they saw the investment on their account statements. Most of Vora Wealth's clients never received an investment prospectus. Then, when verbally describing the investment to clients, Vora downplayed the possibility that they could lose most, if not all, of their principal invested in the notes, and instead touted the 18% to 32.5% annualized monthly interest payments. Beginning in November 2021, one of the stocks in the structured notes' basket fell below the 50% downside protection level, which terminated the coupon payments to clients, and that stock never recovered. As of July 2024, most of the structured notes have reached maturity, and Vora Wealth's clients' accounts have a collective realized loss of their principal of over $89 million.

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

3. Additionally, during this same period, Vora Wealth and Vora received undisclosed benefits from one of the brokers through which they purchased most of the notes, including a wine tasting, as well as payments to subsidize a Vora Wealth client event.

4. As Vora Wealth's sole owner and principal investment adviser representative, Vora was responsible for Vora Wealth's failures. Based on this conduct, and as described in further detail below, Vora Wealth and Vora willfully violated Sections 206(1) and 206(2) of the Advisers Act. Vora Wealth also willfully violated, and Vora caused Vora Wealth's violations of, Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder.

Respondents

5. Vora Wealth Management, PLLC, is an Arizona professional limited liability company with its principal place of business in Flagstaff, Arizona. Vora Wealth has been registered with the Commission since October 29, 2021. On its initial Form ADV, filed in October 2021, Vora Wealth reported assets under management of $139.5 million in 1,065 client accounts for approximately 660 clients. On its most recent Form ADV filed on April 4, 2024, Vora Wealth reported regulatory assets under management of approximately $74.8 million in the same number of client accounts for the same number of clients as reported in 2021.

6. Dharmesh Vora, age 54, resides in Flagstaff, Arizona. He is the founder, 100% owner, principal investment professional, President, and Chief Compliance Officer at Vora Wealth, where he provided investment advice to clients and received compensation.

Facts

The Equity Linked Notes

7. Structured notes are securities issued by financial institutions whose returns may be based on, among other things, equity indexes, a single equity security, a basket of equity securities, interest rates, commodities, and/or foreign currencies. The investment returns of a structured note are linked to the performance of a reference asset or index, and thus, the market risk of the note includes, among other things, changes in market prices or volatility.

8. The equity linked notes ("ELNs") purchased through broker-dealers for Vora Wealth's clients were tied to a basket of four underlying equity securities that traded on Nasdaq (the "Basket"). The issuer of each ELN would make monthly coupon payments to investors ranging from 18% to 32.5% annualized for a set number of years, as long as all four of the stocks maintained at least or above one-half (50%) of its market value at the time the note was priced (the "Threshold"). The closing price of each underlying equity was reviewed on a pre-selected day each month (the "observation date") to determine its market value. Whether the issuer made the coupon payments to investors was contingent upon the decline of the worst performing stock in the Basket, irrespective of whether the other stocks in the Basket were at or above the Threshold. For example, if the stock price of each equity in the Basket was $100 at the time of the ELN's pricing date, the issuer would make monthly coupon payments to investors as long as the share

price of each underlying equity did not fall below $50 on each observation date during the investment's term.

9. However, if the market value of just one of the four stocks dropped below the Threshold, the ELN would stop paying interest to investors until the market value of every one of the four stocks again traded above the Threshold, if ever. Moreover, when the ELN matured (typically three years after the pricing date), if the market value of any one of the four stocks was below the Threshold, the issuer would return to the investor significantly less money than the original principal investment – and may not be required to repay any principal – depending on the worst performing stock's share price. For example, if, at maturity, the price of the worst performing equity in the Basket was down 70% in value from the ELN's pricing date, Vora Wealth's clients would receive from the issuer only 30% of their principal investment.

Inadequate Disclosures to Clients about the ELNs

10. Between at least November 6, 2020 through November 4, 2021 (the "Relevant Period"), Vora Wealth and Vora used their discretionary authority over advisory client accounts to purchase ELNs in almost every Vora Wealth client account.

11. Vora Wealth and Vora failed to adequately disclose to clients the ELNs purchased on their behalf, and investing in such ELNs was also inconsistent with the investment strategy Vora Wealth disclosed to clients. Vora Wealth's Form ADV Part 2 dated September 30, 2021 ("Form ADV Part 2"), disclosed that clients are invested primarily in "mutual funds, exchange traded funds (ETF) and stocks, ... warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities, U.S. government securities, options contracts, futures contracts, and interests in partnerships." Vora Wealth and Vora used over a hundred million dollars of clients' funds to purchase ELNs for most of their clients' accounts, yet structured products are not listed as an investment category.

12. Vora Wealth and Vora communicated to Vora Wealth's clients through the firm's website, verbally, and the Form ADV Part 2 that client portfolios are personalized according to investment goals, time horizons, and risk tolerance. Nevertheless, clients' assets were heavily invested in ELNs regardless of a client's stated investment objectives or risk tolerance.

13. Vora Wealth and Vora also failed to adequately disclose to clients the risk of the clients losing most, if not all, of their entire principal invested in the ELNs. As described in the offering materials, ELNs carry significant risks. For example, the Pricing Supplement No. 737 dated February 11, 2021 (the "Pricing Supplement"), highlighted in the first paragraph in bold print the following warning: "**investors in the securities must be willing to accept the risk of losing their entire initial investment and also the risk of not receiving any contingent monthly coupons throughout the 3-year term of the securities.**" Vora Wealth and Vora often failed to provide clients with any ELN offering materials, and for any clients who did receive such materials, those were provided only after Vora had already made the investment on the clients' behalf.

14. After purchasing the ELNs, Vora recorded and distributed a series of videos to Vora Wealth's advisory clients, in which he made representations emphasizing the ELNs' benefits and safety, while minimizing potential risks. For example, in one video, Vora stated that the ELNs were created to satisfy two main requirements: protect the investors' principal and to generate high rates of return. Vora touted the ELNs as a higher interest-paying, smarter, and better alternative to "other safe" investments. Vora also promoted the monthly investment returns and "protection" of the clients' assets due to the 50% Threshold. In these videos, however, Vora minimized the possibility that any stock would fall below the Threshold by maturity, and claimed that even if it did, clients would "still be ahead of traditional investment strategies" because of the monthly returns paid during the life of the investment.

15. Between December 2021 and March 2022, the issuers stopped paying monthly coupon payments to every Vora Wealth client account invested in the subject ELNs because the share price of one of the Basket stocks dropped below each ELN's Threshold. Yet, even then, Vora encouraged his clients who wanted to redeem their ELN investments to hold, claiming that the notes were still worth the original purchase price because they had not yet matured, and the stock price had a chance to rebound. In fact, the stock never again rose to a market price above the Threshold.

16. Collectively, Vora Wealth's clients have suffered losses of almost $89 million. The ELN holdings that have matured had an average loss of about 82% of the clients' invested principal at maturity. Those ELNs that will mature after August 2024 are tracking at an average loss of about 80% of Vora Wealth's clients' invested principal.

The Investments in ELNs were Unreasonable and Unsuitable for These Clients

17. Neither Vora Wealth nor Vora had a reasonable basis to conclude that the ELNs were suitable for most of their clients. Vora Wealth and Vora communicated to clients through the firm's website, verbally, and the Form ADV Part 2 that client portfolios are personalized according to investment goals, time horizons, and risk tolerance. Nevertheless, of Vora Wealth's 872 client accounts with holdings, Vora invested 85% of those accounts in ELNs, regardless of a client's stated investment objectives or risk tolerance. Vora knew that about 75% of Vora Wealth's clients were retirees and relied on income generated from their investment portfolios for living expenses. Yet, for many Vora Wealth clients, Vora unreasonably purchased ELNs with 100% of their investable assets. Although Vora Wealth's Form ADV Part 2 disclosed that the firm analyzed risk and made investments for clients based on objectives articulated by each client during consultations, Vora Wealth and Vora did not comply with that disclosure.

18. Vora Wealth and Vora had numerous options of less risky investments for their advisory clients and failed to adequately consider the fundamental risks of the ELNs. They also failed to adhere to the clients' investment objectives when purchasing the ELNs and to adequately consider the possibility that the clients' investments in the ELNs – which was often a client's full retirement savings account – could be lost. Thus, Vora Wealth and Vora invested advisory client money in ELNs in a manner that was unsuitable.

Vora Received Undisclosed Compensation From a Broker-Dealer

19. During the Relevant Period, Vora Wealth and Vora received undisclosed benefits from one of the brokers through which Vora Wealth purchased most of the subject notes, yet failed to disclose the potential conflict of interest to clients. The undisclosed benefits included a wine tasting and payments to subsidize a Vora Wealth client event, and totaled approximately $32,972.

20. Vora Wealth's and Vora's receipt of benefits was a potential conflict of interest that should have been disclosed to their clients. Such benefits create a potential incentive for an adviser to use a broker to purchase investments for its clients.

Vora Wealth Failed to Adopt or Implement Relevant Policies and Procedures

21. During the Relevant Period, Vora Wealth also did not adopt or implement policies and procedures that were reasonably designed to ensure that it understood the material features and risks of complex products, like ELNs, before purchasing them for advisory clients. Although Vora Wealth purchased ELNs for almost all of its clients, its policies and procedures did not address due diligence, suitability assessments for risky products, or procedures for monitoring such investments. Vora Wealth also failed to adopt policies and procedures to adequately disclose investment risk and conflicts of interests to clients. Moreover, although Vora Wealth had a policy to review its business provided to clients and "to, fully and accurately disclose the types of services, advisory fees, etc. in [its] Form ADV Part 2, marketing brochures, and other materials," Vora Wealth did not implement those policies when it failed to disclose to clients the complicated and risky ELNs purchased on their behalf in contravention to their stated investment objectives.

22. Throughout the Relevant Period, Vora was Vora Wealth's principal investment officer, president, and chief compliance professional, and as such, was responsible for drafting and implementing Vora Wealth's policies and procedures. As the person responsible, Vora caused Vora Wealth's failures to adopt or implement written policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder.

Violations

23. As a result of the conduct described above, Respondents willfully violated Sections 206(1) and 206(2) of the Advisers Act, which make it unlawful for an investment adviser, directly or indirectly, (1) "to employ any device, scheme, or artifice to defraud any client or prospective client," or (2) to "engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client."

24. As a result of the conduct described above, Vora Wealth 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 policies and procedures reasonably designed to prevent violations, by the adviser or its supervised persons, of the Advisers Act and the rules adopted thereunder. A showing of negligence is sufficient to establish a violation of Section 206(4) of the Advisers Act or the rules thereunder; proof of scienter is not required. *SEC v.*

Steadman, 967 F.2d 636, 647 (D.C. Cir. 1992). As Vora Wealth's principal investment officer and chief compliance professional, Vora caused Vora Wealth's violations of Advisers Act Section 206(4) and Rule 206(4)-7 thereunder.

<u>Disgorgement</u>

25. The disgorgement and prejudgment interest ordered in Section IV.E. is consistent with equitable principles and does not exceed Respondents' net profits from their violations, and will be distributed to harmed investors to the extent feasible. The Commission will hold funds paid pursuant to Section IV.E. in an account at the United States Treasury pending distribution. Upon approval of the distribution final accounting by the Commission, any amounts remaining that are infeasible to return to investors, and any amounts returned to the Commission in the future that are infeasible to return to investors, may be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Securities Exchange Act of 1934.

IV.

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

Accordingly, pursuant to Sections 203(e), 203(f), and 203(k) of the Advisers Act and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondents cease and desist from committing or causing any violations and any future violations of Sections 206(1), 206(2), and 206(4) of the Advisers Act and Rule 206(4)-7 promulgated thereunder.

B. Respondent Vora be, and hereby is:

> barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and
>
> prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter.

with the right to apply for reentry after three (3) years to the appropriate self-regulatory organization, or if there is none, to the Commission.

C. Respondent Vora Wealth is censured.

D. Any application for reentry by Respondent Vora 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, compliance with the Commission's order and

payment of any or all of the following: (a) any disgorgement or civil penalties ordered by a Court against the Respondent in any action brought by the Commission; (b) any disgorgement amounts ordered against the Respondent for which the Commission waived payment; (c) any arbitration award related to the conduct that served as the basis for the Commission order; (d) 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 (e) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

E. Respondents Vora Wealth and Vora shall pay, jointly and severally, disgorgement of $1,114,079 and prejudgment interest of $231,118, to the Securities and Exchange Commission. Payment shall be made in the following installments:

(i) $100,000 within ten (10) days of the entry of this Order ("Order Date").
(ii) $300,000 within three (3) months of the Order Date.
(iii) $400,000 within six (6) months of the Order Date.
(iv) Remaining amount outstanding within twelve (12) months of the Order Date.

Payments shall be applied first to post-order interest, which accrues pursuant to SEC Rule of Practice 600. Prior to making the final payment set forth herein, Respondents shall contact the staff of the Commission for the amount due. If Respondent fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

F. Respondent Vora shall pay a civil money penalty in the amount of $300,000 to the Securities and Exchange Commission. Payment shall be made in the following installments:

(i) $50,000 within ten (10) days of the Order Date.
(ii) $50,000 within three (3) months of the Order Date.
(iii) $100,000 within six (6) months of the Order Date.
(iv) Remaining amount outstanding within twelve (12) months of the Order Date.

Payments shall be applied first to post-order interest, which accrues pursuant to 31 U.S.C. 3717. Prior to making the final payment set forth herein, Vora shall contact the staff of the Commission for the amount due. If Vora fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

Payments must be made in one of the following ways:

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

ii. 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

iii. 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 Vora Wealth and/or Vora, as appropriate, as Respondents 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 Katharine Zoladz, Regional Director, Securities and Exchange Commission, 444 South Flower Street, Suite 900, Los Angeles, CA 90071.

G. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, a Fair Fund is created for the disgorgement, prejudgment interest and penalties referenced in Section IV. paragraphs E and F above. 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 Respondent Vora's 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 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(s) 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.

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 Vora, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent Vora 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 Vora 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