

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 6711 / September 20, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-22147

In the Matter of

JORDAN/ZALAZNICK
ADVISERS, INC.

Respondent.

**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 Jordan/Zalaznick Advisers, Inc. (“Respondent” or “JZAI”).

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 Respondent 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 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 finds¹ that:

Summary

1. These proceedings arise from investment adviser JZAI's failure to implement policies and procedures reasonably designed to prevent violations of the Advisers Act and its rules.

2. From December 2018 until May 2022 (the "Relevant Period"), JZAI failed to implement certain aspects of the compliance program applicable to JZAI, including its relying advisers and their personnel. Among other things, JZAI's compliance policies and procedures called for JZAI to conduct compliance training for all supervised persons, which JZAI failed to do. JZAI also did not conduct spot-checks of books and records required to be maintained by JZAI, nor did JZAI conduct periodic inspections of the principal places of business of its relying advisers, both of which were required by its compliance manual. As a result, JZAI violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder.

Respondent

3. **JZAI** is a Delaware corporation with its primary place of business in New York, New York. JZAI has been registered with the Commission as an investment adviser since March 30, 2012. JZAI describes itself as investing in companies with up to \$200 million in enterprise value in various industries including manufacturing, commercial and industrial services, and healthcare. On its most recent annual updating amendment to Form ADV filed in March 2024, JZAI reported approximately \$723 million in assets under management.

Facts

A. JZAI Failed to Fulfill Certain Obligations of its Compliance Program

4. Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder require registered investment advisers to adopt and implement written policies and procedures reasonably designed to prevent violations, by the investment adviser and its supervised persons, of the Advisers Act and the rules thereunder.

5. During the Relevant Period, JZAI was registered as the filing adviser for an umbrella registration listing multiple relying advisers, some of which had foreign offices and operations ("relying advisers"). A condition of umbrella registration is that every adviser under the "umbrella" operate under a single code of ethics and a unified compliance program administered by a single chief compliance officer. Each relying adviser, its employees, and persons acting on its behalf are subject to the filing adviser's supervision and control.

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.

6. The written compliance policies and procedures that JZAI adopted during the Relevant Period (the “Compliance Manual”) required JZAI to conduct compliance training for supervised personnel generally and to coordinate training on JZAI’s code of ethics specifically.

7. While JZAI collected annual certifications from supervised persons attesting that they had received, read, and understood the firm’s compliance policies, JZAI did not conduct any compliance training or training on its Code of Ethics for its supervised persons during the Relevant Period, including for its supervised persons employed at the relying advisers.

8. The Compliance Manual also required JZAI to conduct “spot-checks of the books and records required to be maintained.” These requirements were designed to ensure that employees were not participating in practices prohibited by the Compliance Manual, such as “[e]ngaging in any conduct or transaction that may result in a Supervised Person’s interest being in conflict with the interests of a client or the Adviser,” “[e]mploying any device, scheme or artifice to defraud a client,” or engaging in “[a]ny act, transaction, practice or course of business which is fraudulent, deceptive or manipulative.”

9. While JZAI compliance personnel reviewed various records and correspondence in the ordinary course of business, JZAI did not conduct spot-checks of books and records of JZAI or its relying advisers during the Relevant Period.

10. Under the terms of the Compliance Manual, JZAI was also required to “conduct periodic inspections of each Adviser’s principal place of business” to confirm that no adviser was engaging in prohibited practices, such as “knowingly employ[ing] any device, scheme or artifice to defraud a client, or engag[ing] in any act, practice, course of business which operates or would operate as a fraud or deceit upon such person.”

11. During the Relevant Period, JZAI did not conduct any inspections of the offices of JZAI or its relying advisers.

B. The Commission’s Examination of JZAI

12. The Commission’s Division of Examinations commenced an examination of JZAI, in January 2022.

13. During the examination, JZAI made the staff in the Division of Examinations aware that it had recently identified potentially fraudulent conduct involving one of its relying advisers.

14. Ultimately, the Division of Examinations identified certain deficiencies in JZAI’s compliance program.

15. In August 2022, in response to the examination, JZAI took steps to remediate these deficiencies, including by engaging an independent compliance consultant to conduct ongoing email monitoring and provide periodic employee compliance trainings. JZAI also hired an additional person to join its compliance team.

Violations

16. As a result of the conduct described above, JZAI willfully² violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder, which require registered investment advisers to adopt and implement written policies and procedures reasonably designed to prevent violations, by the investment adviser and its supervised persons, of the Advisers Act and the rules thereunder.

JZAI's Remedial Efforts

In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation afforded the Commission staff.

IV.

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

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

- A. Respondent JZAI cease and desist from committing or causing any violations and any future violations of Section 206(4) of the Advisers Act and Rule 206(4)-7 promulgated thereunder.
- B. Respondent JZAI is censured.
- C. Respondent JZAI shall, within 30 days of the entry of this Order, pay a civil money penalty in the amount of \$150,000 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.

Payment must be made in one of the following ways:

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

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[ted]” material information from a required disclosure in violation of Section 207 of the Advisers Act).

- (2) 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
- (3) 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 JZAI 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 Lee A. Greenwood, Assistant Regional Director, Asset Management Unit, Division of Enforcement, Securities and Exchange Commission, 100 Pearl Street, Suite 20-100, New York, NY, 10004, or such other address as the Commission staff may provide.

D. 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.

By the Commission.

Vanessa A. Countryman
Secretary