

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 98408 / September 15, 2023

ADMINISTRATIVE PROCEEDING
File No. 3-19494

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In the Matter of	:	
	:	
HCR Wealth Advisors,	:	ORDER APPROVING
	:	PLAN OF DISTRIBUTION
Respondent.	:	
_____	:	

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 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 \$220,000.00 civil money penalty 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.

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

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

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.

On July 17, 2023, the Division of Enforcement, pursuant to delegated authority, published a Notice of Proposed Plan of Distribution and Opportunity for Comment (“Notice”),³ pursuant to Rule 1103 of the Commission’s Rules on Fair Fund and Disgorgement Plans (“Commission’s Rules”);⁴ and simultaneously posted the Proposed Plan of Distribution (the “Proposed Plan”). The Notice advised interested persons that they could obtain a copy of the Proposed Plan from the Commission’s public website or by submitting a written request to Nancy Chase Burton, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090. The Notice also advised that all persons desiring to comment on the Proposed Plan could submit their comments, in writing, within 30 days of the Notice. The Commission received no comments on the Proposed Plan during the comment period.

The Proposed Plan provides for the distribution of the Net Available Fair Fund⁵ 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.

The Division of Enforcement now requests that the Commission approve the Proposed Plan.

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

³ Exchange Act Rel. No. 97921 (July 17, 2023).

⁴ 17 C.F.R. § 201.1103.

⁵ All capitalized terms used herein but not defined shall have the same meanings ascribed to them in the Proposed Plan.

Accordingly, it is hereby ORDERED, pursuant to Rule 1104 of the Commission's Rules,⁶ that the Proposed Plan is approved, and the approved Plan of Distribution shall be posted simultaneously with this order on the Commission's website at www.sec.gov.

For the Commission, by the Division of Enforcement, pursuant to delegated authority.⁷

Vanessa A. Countryman
Secretary

⁶ 17 C.F.R. § 201.1104.

⁷ 17 C.F.R. § 200.30-4(a)(21)(iv).