

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 103173 / June 3, 2025

INVESTMENT ADVISERS ACT OF 1940
Release No. 6881 / June 3, 2025

ADMINISTRATIVE PROCEEDING
File No. 3-22481

In the Matter of

**NORTH EAST ASSET
MANAGEMENT GROUP,
INC. and GREGORY A.
ZANDLO,**

Respondents.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS,
PURSUANT TO SECTION 21C OF THE
SECURITIES EXCHANGE ACT OF 1934
AND SECTIONS 203(e), 203(f) 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 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against North East Asset Management Group, Inc. (“North East Asset Management Group”) and Gregory A. Zandlo (“Zandlo”) (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 Respondents 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 Section 21C of the Securities Exchange Act of 1934 and Sections 203(e), 203(f) 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

From December 1, 2020, through May 31, 2022 (the “Relevant Period”), North East Asset Management Group, a State of Minnesota-registered investment adviser, and Zandlo, North East Asset Management Group’s sole principal, owner, and employee, engaged in cherry-picking when they disproportionately allocated certain profitable trades to accounts for North East Asset Management Group, Zandlo, and individuals related to Zandlo (collectively, the “Favored Accounts”), and allocated unprofitable trades to other North East Asset Management Group advisory clients.

Respondents

1. **North East Asset Management Group, Inc.** is a Minnesota corporation formed in June 1987 that has been a State of Minnesota-registered investment adviser in Minneapolis, Minnesota since July 25, 2003, and which reported \$28.5 million in regulatory assets under management in its Form ADV filing dated March 28, 2024. Zandlo is the sole principal, owner, and employee of North East Asset Management Group.

2. **Gregory A. Zandlo**, age 63, resides in Coon Rapids, Minnesota. Zandlo founded North East Asset Management Group and serves as its president and its sole principal, owner, and employee. Zandlo is North East Asset Management Group’s only investment adviser representative. Zandlo has been a certified financial planner since April 1992.

Background

3. During the Relevant Period, North East Asset Management Group and Zandlo had trading authority over North East Asset Management Group client accounts at an unaffiliated brokerage firm (“Brokerage Firm A”). Zandlo also maintained personal accounts and managed a North East Asset Management Group block trading account at Brokerage Firm A. Zandlo had access and authority to make trades and allocations in the North East Asset Management Group block trading account on behalf of North East Asset Management Group and its clients.

4. The North East Asset Management Group block trading account allowed North East Asset Management Group and Zandlo to place purchase and sale orders for securities in “blocks” that aggregated securities transactions on behalf of multiple client accounts. North East

Asset Management Group and Zandlo then allocated portions of each “block” of securities purchased to different client accounts after Brokerage Firm A executed orders North East Asset Management Group and Zandlo placed, sometimes after the close of the market on a given day.

5. Starting in December 2020, North East Asset Management Group and Zandlo used the North East Asset Management Group block trading account to disproportionately allocate profitable trades to the Favored Accounts, which disadvantaged other North East Asset Management Group clients. North East Asset Management Group and Zandlo disproportionately allocated less profitable trades to 78 advisory client accounts (collectively, the “Unfavored Accounts”).

6. During the Relevant Period, North East Asset Management Group and Zandlo placed purchase orders of securities in the North East Asset Management Group block trading account and sometimes placed multiple purchase orders for the same security on the same day. Those purchase orders were often filled and executed at different price points and times throughout a given trading day.

7. North East Asset Management Group and Zandlo were aware that the Brokerage Firm A trading platform allowed North East Asset Management Group and Zandlo the choice to allocate individual purchase order executions to client accounts or to aggregate the purchase order executions for the same security and allocate shares of that security to client accounts at an average price of all the executions. The aggregate allocation option would ensure that all accounts received equal execution prices for purchase orders placed in the North East Asset Management Group block trading account.

8. Instead, North East Asset Management Group and Zandlo often allocated multiple purchase order executions separately without pre-allocating the orders. This allowed North East Asset Management Group and Zandlo to disproportionately allocate securities purchased at a lower price to Favored Accounts and securities purchased at a higher price to Unfavored Accounts.

9. For example, on the morning of April 12, 2021, North East Asset Management Group and Zandlo placed a purchase order for one-thousand shares of a security in the North East Asset Management Group block trading account. The order was filled and executed at a price point of \$24.28 per share. Approximately an hour and forty minutes later, North East Asset Management Group and Zandlo purchased another one-thousand shares of the same security in the North East Asset Management Group block trading account for an execution price of \$22.93 per share. In the afternoon, North East Asset Management Group and Zandlo allocated all one-thousand purchase order executions at \$24.28 per share to Unfavored Accounts and all one-thousand purchase order executions at \$22.93 per share to Favored Accounts.

10. North East Asset Management Group and Zandlo disproportionately allocated purchase order executions of securities to Unfavored Accounts when the intra-day price of that security, or the price of that security at the close of the trading day, had dropped from the price at the time the purchase order was executed. Conversely, North East Asset Management Group and Zandlo disproportionately allocated purchase order executions of securities to Favored Accounts

when the intra-day price or closing price of that security had risen since the purchase order execution.

11. On some occasions during the Relevant Period, North East Asset Management Group and Zandlo day-traded in the North East Asset Management Group block trading account. North East Asset Management Group and Zandlo placed purchase orders in the North East Asset Management Group block trading account which were subsequently filled, and then sold those purchased shares within the North East Asset Management Group block trading account prior to allocation. North East Asset Management Group and Zandlo then allocated the entirety of the profits from those purchase order and sale executions to Favored Accounts.

12. North East Asset Management Group did not adopt or implement policies or procedures relating to block trading. Zandlo did not know which clients he was purchasing securities for at the time that he placed a purchase order in the North East Asset Management Group block trading account. Instead, Zandlo determined which accounts he would allocate securities to at the time of allocation, most often at the end of the trading day. Zandlo determined which accounts to allocate shares to by considering the account's liquidity to make the purchase, the account's current portfolio makeup, and the account's investment strategy.

13. Brokerage Firm A terminated North East Asset Management Group's Adviser Services Agreement in August 2022 due to concerns about North East Asset Management Group's trading activity. In addition, Brokerage Firm A advised that North East Asset Management Group's and Zandlo's block trading access had been disabled and that no new accounts could be opened on the Brokerage Firm A platform. As a result, North East Asset Management Group and Zandlo moved all North East Asset Management Group's accounts, Zandlo's accounts, and client accounts over which North East Asset Management Group had trading authority to a new brokerage firm. Zandlo did not set up a block trading account at the new brokerage firm. In 2023, North East Asset Management Group and Zandlo again moved all those accounts, this time to third brokerage firm. Zandlo has not opened a block trading account at the third brokerage firm.

14. During the Relevant Period, North East Asset Management Group and Zandlo purchased a total of \$18,761,004 of equity securities, of which \$15,485,058, or 82.54%, were purchase orders executed in North East Asset Management Group's block trading account and subsequently allocated to the Favored and Unfavored Accounts. The win rate, which refers to the percentage of dollars traded that saw a positive return at the end of trading day, and the day-one profit rate for those trades demonstrate the disparity between the Favored Accounts and the Unfavored Accounts during the Relevant Period. The Favored Accounts had a 91.6% win rate and a 2.47% profit rate resulting in profits of approximately \$105,820. The Unfavored Accounts had a 31.3% win rate and a profit rate of -1.01% resulting in losses of approximately \$112,667.

Violations

15. As a result of the conduct described above, Respondents willfully violated Section 10(b) of the Exchange Act and Rules 10b-5(a) and (c) thereunder, which prohibit any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the

mails or of any facility of any national securities exchange, in connection with the purchase or sale of any security, from employing any deceptive device, scheme, or artifice to defraud or engaging in any act, practice, or course of business that operates as a fraud on any person.

16. As a result of the conduct described above, Respondents willfully violated Sections 206(1) and 206(2) of the Advisers Act, which prohibit any investment adviser, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly, from (1) employing any device, scheme, or artifice to defraud any client or prospective client, and (2) engaging in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client.

Disgorgement

17. The disgorgement and prejudgment interest ordered in paragraph 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 paragraph 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 Exchange Act.

IV.

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

Accordingly, pursuant to Section 21C of the Exchange Act and Sections 203(e), 203(f) 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 10(b) of the Exchange Act and Rules 10b-5(a) and (c) thereunder and Sections 206(1) and 206(2) of the Advisers Act.

B. Respondent Zandlo be, and hereby is, barred from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

C. Respondent North East Asset Management Group is censured.

D. Any application for reentry by Respondent Zandlo will be made to the appropriate self-regulatory organization, or if there is none, to the Commission by contacting the Division of Enforcement's Office of Chief Counsel at ENF-Reentry@sec.gov, and will be subject to the applicable laws and regulations governing the reentry process. 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. Respondent North East Asset Management Group shall, within thirty days of the entry of this Order, pay disgorgement of \$10,609.00 and prejudgment interest of \$2,260.36 to the Securities and Exchange Commission. Respondent Zandlo shall, within thirty days of the entry of this Order, pay disgorgement of \$80,599.00 and prejudgment interest of \$17,172.47 and a civil money penalty in the amount of \$141,000.00 to the Securities and Exchange Commission. If timely payment of disgorgement and prejudgment interest is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. If timely payment of the civil money penalty 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) 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 North East Asset Management Group and Zandlo 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 Paul Montoya, Associate Director, Division of Enforcement, Securities and Exchange Commission, 175 West Jackson Boulevard, Suite 1450, Chicago, Illinois 60604.

F. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, a Fair Fund is created for the disgorgement, prejudgment interest and penalty referenced in paragraph IV.E 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, Respondent Zandlo agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent Zandlo'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 Zandlo agrees that he 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 Zandlo 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, 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 Zandlo, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent Zandlo 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 Zandlo 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