UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-21098

In the Matter of

GREGORY M. GRENDA,

Respondent.

THE DIVISION OF ENFORCEMENT'S MOTION FOR SUMMARY DISPOSITION AND REQUEST FOR REMEDIAL SANCTIONS AGAINST RESPONDENT GREGORY M. GRENDA

David Stoelting
Alexander M. Levine
SECURITIES AND EXCHANGE COMMISSION
100 Pearl Street
New York, NY 10004
Stoeltingd@sec.gov
Levinealex@sec.gov
(212) 336-0174 (Stoelting)
(212) 336-9104 (Levine)

Counsel for the Division of Enforcement

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The Division of Enforcement respectfully submits this memorandum of law in support of the Division's motion for summary disposition against Respondent Gregory M. Grenda ("G. Grenda") pursuant to Rule 250 of the Commission's Rules of Practice.

PRELIMINARY STATEMENT

In this follow-on proceeding arising from a jury verdict and antifraud injunction, the Division seeks associational bars against G. Grenda under Section 203(f) of the Investment Advisers Act of 1940 ("Advisers Act").[1] There are no genuine issues of material fact that would preclude summary disposition.

On December 10, 2021, following an eight-day trial, a jury determined that G. Grenda and Grenda Group violated Sections 206(1) and 206(2) of the Advisers Acts, 15 U.S.C. § 80b-6(1) and (2), and that G. Grenda aided and abetted Grenda Group's violations. Div. Ex. 2.[2] Previously, on May 17, 2021, the District Court granted partial summary judgment to the SEC, finding that G. Grenda and Grenda Group violated Section 203(f) of the Advisers Act, 15 U.S.C. § 80b-3. Div. Ex. 1.

On August 11, 2022, the District Court permanently enjoined G. Grenda and Grenda Group from violating Sections 203(f), 206(1), and 206(2) of the Advisers Act, finding that "Grenda actively participated in misleading his clients and testified untruthfully" at trial. Div. Ex. 3 at 4–5. The District Court also ordered that G. Grenda pay a civil penalty of $167,500 and Grenda Group pay a civil penalty of $400,000. Div. Ex. 3 at 10. The penalties remain unpaid.

[1] Pursuant to Section 203(f) of the Advisers Act, G. Grenda should be barred from "being associated with an investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization."

[2] The Division Exhibits cited herein are attached to the Declaration of Alexander M. Levine dated November 20, 2023.

Pursuant to Section 203(f) of the Advisers Act, the Division now seeks an industry bar against G. Grenda based on the permanent injunction issued against him by the District Court. The public interest weighs particularly in favor of a bar given G. Grenda's egregious conduct.

G. Grenda does not dispute this record, nor could he. Rather, G. Grenda's only affirmative defenses are that the relevant conduct "did not result in the loss of any client investment funds" (Answer ¶ 6), and that, in light of the permanent injunction and "substantial monetary sanctions" already imposed, further sanctions are "not warranted" (Answer ¶ 7), and would be "disproportionate" and "inequitable" in light of the sanctions already imposed and the Commission's "prior settlements against Reliance Financial and Walter Grenda" (Answer ¶ 8). These affirmative defenses are meritless and have repeatedly been rejected by the Commission in the past. The Division is therefore entitled to summary disposition, and the Commission should enter an order barring G. Grenda pursuant to Section 203(f) of the Advisers Act.

STATEMENT OF FACTS

I. Walter Grenda's Bar

G. Grenda's father, Walter Grenda ("W. Grenda"), has been barred from association with any Commission-registered investment adviser since July 31, 2015. Div. Ex. 7 at 14.

W. Grenda founded Reliance Financial Advisors, LLC, an investment adviser registered with the SEC in 2011. *Reliance Financial Advisors, LLC*, Rel. No. 3976, 2014 WL 6967370, at *2 (Dec. 10, 2014). On December 10, 2014, the SEC issued an Order Instituting Administrative Cease-And-Desist Proceedings against W. Grenda, alleging that he "knowingly or recklessly made or used false and misleading statements to [] advisory clients in order to create the false appearance that an investment" in a "risky hedge fund" was "less risky than it really was." *Id*. Further, the SEC alleged that in 2009, W. Grenda "borrowed $175,000 from two of his advisory

clients (a mother and a daughter), telling them that he would use his loan to grow his business," but that he used the funds to "pay personal expenses and debts." *Id*.

On July 31, 2015, the SEC issued an Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 8A of the Securities Act of 1933, Sections 15(b) and 21C of the Securities Exchange Act of 1934, Sections 203(e), 302(f) and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940 ("W. Grenda Order"). *Reliance Financial Advisors*, Rel. No. 4152, 2015 WL 4597605 (July 31, 2015). The W. Grenda Order found that W. Grenda and Reliance Financial Advisors, the firm he co-founded and was president of, willfully violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and (2) of the Advisers Act. *Id.* at 7–10. The SEC found that W. Grenda "made or disseminated to his advisory clients materially false and misleading statements" regarding the hedge fund and used $175,000 that he had borrowed from the two investors for personal expenses and debts, instead of for his business, as he told the investors. *Id.* at 5–8. The W. Grenda Order also revoked Reliance Financial Advisor's registration as an investment adviser, ordered W. Grenda to pay $25,000 in disgorgement and $50,000 in civil penalties, and imposed a three-year associational bar against W. Grenda. *Id.* at 9–10.

II. Gregory M. Grenda's Experience and Acquisition of His Father's Firm

From April 2012 to February 2014, G. Grenda was a registered advisor at Reliance Financial Advisors. Div. Ex. 6 at 6. In early 2014, in the midst of the SEC's investigation, G. Grenda and his father agreed that G. Grenda would buy Reliance. Div. Ex. 1 at 8. G. Grenda testified that he "saw everything [his] father was going through, [and] decided that it was an opportunity for [him] to purchase the business and start [his] own." Div. Ex. 1 at 8 (quotation omitted). G. Grenda formed Grenda Group, and in an Asset Purchase Agreement dated February

1, 2014, Grenda Group acquired the assets of Reliance Financial Advisors, including all of Reliance Financial Advisor's customers. Div. Ex. 1 at 8. G. Grenda served as the managing member, CEO, and chief compliance officer of Grenda Group. Div. Ex. 6 at 6. G. Grenda became aware that his father was barred by the SEC "shortly after" the bar was entered. Div. Ex. 1 at 8.

III. The District Court Litigation

On August 30, 2018, the Commission brought a civil action against G. Grenda, Grenda Group, and W. Grenda. *SEC v. Grenda Group, LLC, et al.*, No. 1:18-CV-00954-CCR (W.D.N.Y.). The Commission alleged that G. Grenda and Grenda Group permitted W. Grenda to associate with Grenda Group despite that W. Grenda had been barred by the Commission from associating with an investment adviser on July 31, 2015. Div. Ex. 4 ¶¶ 37–43. The Commission also alleged that G. Grenda and Grenda Group failed to disclose W. Grenda's bar to Grenda Group's clients and affirmatively misrepresented W. Grenda's bar to clients. Div. Ex. 4 ¶¶ 47–49. W. Grenda consented to a final judgment on December 3, 2018. Dkt. No. 22 (Dec. 3, 2018), *SEC v. Grenda Group, LLC, et al.*, No. 1:18-CV-00954-CCR (W.D.N.Y.).

On May 17, 2021, the District Court granted the Commission's motion for partial summary judgment on its claim under Section 203(f) of the Advisers Act, finding that G. Grenda permitted W. Grenda to associate with Grenda Group in violation of Section 203(f), and that G. Grenda aided and abetted Grenda Group's violation of Section 203(f). Div. Ex. 1. Specifically, the District Court found that G. Grenda and Grenda Group "did nothing to affirmatively disclose to Grenda Group clients W. Grenda's barred status" and did "nothing to prevent W. Grenda from accessing client data and firm systems which allowed him to email Grenda Group clients and offer them investment advice and change their portfolios." Div. Ex. 1 at 20. To the contrary,

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"W. Grenda and G. Grenda jointly met with Grenda Group clients after W. Grenda's SEC bar and at a time when no association between them was permissible" (Div. Ex. 1 at 16), and W. Grenda used a cell phone provided by G. Grenda and Grenda Group "to contact Grenda Group clients thousands of times." Div. Ex. 1 at 20.

On December 13, 2021, after an eight-day trial, a jury found that G. Grenda and Grenda Group violated Sections 206(1) and 206(2) of the Advisers Act, and that G. Grenda aided and abetted Grenda Group's violations of Sections 206(1) and 206(2) of the Advisers Act. Div. Ex. 2.

On August 1, 2022, the District Court permanently enjoined G. Grenda and Grenda Group from future violations of Sections 203(f), 206(1), and 206(2) of the Advisers Act, and imposed civil penalties of $167,500 for G. Grenda and $400,000 for Grenda Group. Div. Ex. 3. The Court found that the evidence at trial "demonstrated an array of deceitful and misleading acts and omissions by [G. Grenda and Grenda Group] in an effort to conceal Walter Grenda's SEC bar so that Defendants could benefit from Walter Grenda's association and retain his client base." Div. Ex. 3 at 8. On August 26, 2022, the Court entered a final judgment as to G. Grenda. Div. Ex. 5.

IV. The Follow-On Administrative Proceeding

The Commission issued the *Order Instituting Administrative Proceedings Pursuant to Section 203(f) of the Investment Advisers Act of 1940 and Notice of Hearing* ("OIP") on September 16, 2022. On February 28, 2023, Grenda filed an *Answer with Affirmative Defenses*.

On March 10, 2023, the Commission issued orders in this action and *Grenda Group, LLC*, File No. 21097 (the "Grenda Group, LLC Matter") requesting briefs on

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whether the two proceedings should be consolidated. *Gregory M. Grenda*, Rel. No. 6257, 2023 WL 2455438 (Mar. 10, 2023). The Division asserted that consolidation was appropriate; G. Grenda and Grenda Group opposed consolidation. The Commission determined that consolidation of the proceedings was not appropriate. *Gregory M. Grenda*, Rel. No. 97380, 2023 WL 3090023 (Apr. 25, 2023).[3]

The parties conducted a telephonic pre-hearing conference on April 13, 2023.

On October 19, 2023, the Commission issued an *Order Granting Extension of Time* granting "the Division's request for an extension of time to file its opening brief until November 20, 2023." *Gregory M. Grenda*, Rel. No. 6465, 2023 WL 6926331 (Oct. 19, 2023).

ARGUMENT

I. The Motion for Summary Disposition Should be Granted

A. The Standard for Summary Disposition

Under Rule 250(b), a motion for summary disposition may be granted if "there is no genuine issue with regard to any material fact and . . . the movant is entitled to a summary disposition as a matter of law." 17 C.F.R. § 201.250(b). "The Commission has repeatedly upheld use of the summary disposition procedure in cases such as this one where the respondent has been enjoined . . . and the sole determination concerns the appropriate sanction." *Gordon A. Driver*, Rel. No. 432, 2011 WL 4402100, at *2 (Sept. 22, 2011). "Under Commission precedent, the circumstances in which summary disposition in a follow-on proceeding involving fraud is not appropriate will be rare." *Steven Sirianni*, Rel. No. 362, 2008 WL 6524249, at *2 (Nov. 19, 2008) (quotation omitted).

[3] The Division of Enforcement is separately moving for summary disposition in the Grenda Group, LLC Matter.

B. The Civil Injunction Against G. Grenda Establishes the Basis for Administrative Relief

The permanent injunction ordered by the District Court meets the threshold requirements for the Division's requested remedy. Advisers Act Section 203(f) authorizes the Commission to impose an associational bar against a respondent if: (1) at the time of the alleged misconduct, the respondent was associated with an investment adviser; and (2) the respondent is "enjoined by order, judgment, or decree of any court of competent jurisdiction . . . from engaging in or continuing any conduct or practice in connection with any such activity . . . ." 15 U.S.C. §80b-3(f).

There is no dispute that these factors have been met. G. Grenda admits that he was associated with an investment adviser (Grenda Group) at the time of the misconduct and that the Court permanently enjoined G. Grenda and Grenda Group from future violations of Sections 203(f), 206(1), and 206(2) of the Advisers Act. Answer ¶¶ 1 & 5. Thus, the statutory basis for administrative relief is met.

C. An Associational Bar is in the Public Interest

In follow-on actions such as this one, the Commission considers what remedies are appropriate under Advisers Act Section 203(f). To make this determination, the Commission considers these factors:

> the egregiousness of the [respondent's] actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the [respondent's] assurances against future violations, the [respondent's] recognition of the wrongful nature of his conduct, and the likelihood that the [respondent's] occupation will present opportunities for future violations.

Steadman v. SEC, 603 F.2d 1126, 1140 (5th Cir. 1979), *aff'd on other grounds*, 450 U.S. 91 (1981). Each of these factors weighs overwhelmingly in favor of an associational bar.

As recognized by the District Court in ordering a permanent injunction, each of the first three factors are met. The violations committed by G. Grenda and Grenda Group "were widespread, repeated, accompanied by *scienter*, and far from inadvertent." Div. Ex. 3 at 7. G. Grenda was an experienced securities professional—the owner, president, and chief compliance officer of Grenda Group, an investment adviser registered with the Commission that as of October 2021, purported to manage nearly $35 million in 254 accounts. OIP ¶ 1; Answer ¶ 1. G. Grenda and Grenda Group "had ample notice of Walter Grenda's SEC bar and ongoing violations," but they "nonetheless failed to notify clients or take adequate steps to prevent Walter Grenda's continued association." Div. Ex. 3 at 4. Instead, G. Grenda and Grenda Group "assisted" W. Grenda "in perpetrating a fraud on their clients, many of whom were unsophisticated investors and relied exclusively on Defendants' expertise." Div. Ex. 3 at 8. Furthermore, G. Grenda's conduct was recurrent. The evidence at trial showed that G. Grenda's "concealment of Walter Grenda's role at the firm spanned at least five years and was not in any way isolated." Div. Ex. 3 at 3 (quotation omitted).

As for the fourth and fifth factors, G. Grenda has not recognized the wrongful nature of his conduct or provided any assurances against future misconduct. As the Court noted, G. Grenda and Grenda Group "accept no responsibility for their violations." Div. Ex. 3 at 4. Rather than recognize the wrongful nature of their conduct, at trial G. Grenda and Grenda Group "sought to deflect blame to Walter Grenda and continue to falsely deny their knowledge of his malfeasance at trial while seeking to excuse their own." Div. Ex. 3 at 8. The finding that G. Grenda "testified untruthfully about the facts and circumstances surround his and Walter Grenda's violations at trial" (Div. Ex. 3 at 4) weighs strongly in favor of a bar. *See Imperato v. SEC*, 693 F. Appx. 870, 876 (11th Cir. 2017) (finding that Commission did not abuse its

discretion in imposing an industry bar against the defendant where he "continues to deny wrongdoing and attempts to shift blame to others" (quotation omitted)).

Although G. Grenda is not currently registered as an investment adviser representative (Div. Ex. 6 at 3), his past fraudulent conduct bears on the likelihood that he will be a repeat offender because "under Commission precedent, the existence of a violation raises an inference that it will be repeated." *Geiger v. SEC*, 363 F.3d 481, 489 (D.C. Cir. 2004); *see also Jonathan Carman*, Rel. No. 343, 2008 WL 215559 (Jan. 25, 2008) (finding an associational bar to be necessary and appropriate where respondent did not make any assurances against future violations "other than stating that he does not want to continue in the securities industry" and did not accept responsibility for his misconduct). Thus, each of the public interest factors weigh overwhelmingly in favor of a bar.

G. Grenda asserts three affirmative defenses, each of which has been rejected by the Commission and does not provide any basis not to order an associational bar.

First, G. Grenda asserts that the underlying conduct "did not result in the loss of any client investment funds." Answer ¶ 6. That said, a respondent's claim that investors did not lose any money does "not mitigate sanctions because the Commission's focus is on the welfare of investors generally and the threat one poses to investors and the markets in the future." *George Charles Cody Price*, Rel. No. 1018, 2016 WL 3124675, at *8 (June 3, 2016) (quotation omitted). Here, G. Grenda's "dishonesty in defrauding his clients breached the trust that is the underpinning of the fiduciary relationship, regardless of whether there was any net loss of money to his clients." *James C. Dawson*, Rel. No. 3057, 2010 WL 2886183, at *3 (July 23, 2010) (granting summary disposition and entering associational bar).

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Furthermore, even if investors did not sustain any losses, the District Court found that by permitting W. Grenda to associate with Grenda Group and by "fraudulently failing to disclose his conduct to clients, [G. Grenda] put those clients at risk of substantial losses," particularly given W. Grenda's "history of predatory conduct, including taking money from clients under false pretenses and marketing a hedge fund that lost all its value to vulnerable, elderly investors." Div. Ex. 3 at 8 (quotation omitted). G. Grenda and Grenda Group "thus created a significant risk of substantial losses." Div. Ex. 3 at 9.

Next, G. Grenda asserts that a bar is "not warranted" (Answer ¶ 7) and would be "disproportionate" in light of the permanent injunction and "substantial monetary sanctions" entered by the District Court and "the Commission's 2015 and 2018 settlements against Reliance Financial Advisors and Walter Grenda" (Answer ¶ 8). This defense is also unsupported by the law. "[S]o long as a sanction is within the Commission's authority, proportionality is not a relevant consideration." *Michael C. Pattison, CPA*, Rel. No. 434, 2011 WL 4540002, at *8 n.9 (Sept. 29, 2011) (granting Division's motion for summary disposition and imposing a permanent bar despite respondent's claim that such a sanction "would be a disproportionate penalty"); *see also Hiller v. S.E.C.*, 429 F.2d 856, 858 (2d Cir. 1970) (affirming Commission order of an associational bar despite petitioner's claim that a bar was disproportionate because the sanctions imposed were "within the Commission's discretion"); *Seghers v. SEC*, 548 F.3d 129, 135 (D.C. Cir. 2008) (same).

Indeed, the Commission routinely enters bars in follow-on administrative proceedings where the respondents have already been permanently enjoined and ordered to pay significant financial penalties. *See, e.g.*, *Eric S. Butler*, Rel. No. 413, 2011 WL 174245 (Jan. 19, 2011) (ordering associational bar where respondent had been ordered to pay a $5 million fine and

forfeit $250,000); *Jonathan Carman*, Rel. No. 343, 2008 WL 215559 (Jan. 25, 2008) (ordering associational bar where respondent had been ordered to disgorge more than $2 million and pay a civil penalty of $100,000). Here, the District Court determined that substantial civil penalties were necessary "to reflect the fact that Defendants' violations were widespread, repeated, accompanied by *scienter*, and far from inadvertent." Div. Ex. 3 at 7. Thus, the civil penalties imposed here are evidence of the egregiousness of G. Grenda's misconduct—they are not a reason for Grenda to avoid the additional sanctions contemplated by Section 203(f) of the Advisers Act.

Further, G. Grenda's claim that an associational bar against him would be "disproportionate" or "inequitable" in light of the Commission's prior settlements with Reliance Financial Advisors and Walter Grenda is belied under those settlements. In 2015, the Commission revoked the registration of Reliance Financial Advisors and barred W. Grenda for three years, *Reliance Financial Advisors*, Rel. No. 4152, 2015 WL 4597605, at *9 (July 31, 2015), and W. Grenda did not apply for reentry after the bar.[4] G. Grenda was aware of this bar and still permitted W. Grenda to associate with Grenda Group and contact its clients.

In sum, the undisputed facts make clear that the requested bar is in the public interest and appropriate. G. Grenda's conduct was egregious, yearslong, and undertaken with in order to evade the sanctions imposed on his father, at the expense of his clients.

[4] Additionally, on December 3, 2018, about three years before G. Grenda and Grenda Group proceeded to trial in *SEC v. Grenda Group et al.*, W. Grenda consented to a final judgment in which he was permanently enjoined from violating the Advisers Act and ordered to pay a civil penalty of $25,000. Final Judgment as to Defendant Walter F. Grenda, Jr., Dkt. No. 22 (Dec. 3, 2018), *SEC v. Grenda Group, LLC, et al.*, No. 1:18-CV-00954-CCR (W.D.N.Y.).

CONCLUSION

For these reasons, the Commission should grant the Division's motion for summary disposition, and permanently bar G. Grenda from associating with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, and from participating in an offering of penny stock.

Dated: November 20, 2023
New York, NY

Respectfully submitted,

DIVISION OF ENFORCEMENT

/s *David Stoelting*

David Stoelting
Alexander M. Levine
U.S. Securities and Exchange Commission
100 Pearl Street
New York, NY 10004
Stoeltingd@sec.gov
Levinealex@sec.gov
(212) 336-0174 (Stoelting)
(212) 336-9104 (Levine)

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CERTIFICATE OF SERVICE

Pursuant to the Commission's Order of October 19, 2023 (IA-6465) and Rule 150(c), the Division of Enforcement certifies that it served its Motion for Summary Disposition on counsel for Respondent on November 20, 2023.

/s/ *Alexander M. Levine*
Alexander M. Levine

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UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-21098

In the Matter of

GREGORY M. GRENDA,

Respondent.

DECLARATION OF ALEXANDER M. LEVINE IN SUPPORT OF THE DIVISION OF ENFORCEMENT'S MOTION FOR SUMMARY DISPOSITION AGAINST RESPONDENT GREGORY M. GRENDA

I, Alexander M. Levine, pursuant to 28 U.S.C. § 1746, declare as follows:

1. I am a counsel in the Division of Enforcement, New York Regional Office, and an attorney of record in this proceeding. As such, I have personal knowledge regarding the documents listed herein. I submit this Declaration in support of the Division's Motion for Summary Disposition against Gregory M. Grenda.

2. Attached hereto is a list of Division Exhibits ("Div. Ex.") that are referenced in the Division's accompanying memorandum of law.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: November 20, 2023
New York, NY

/s *Alexander M. Levine*
Alexander M. Levine

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DIVISION EXHIBIT #	DESCRIPTION
1	Opinion and Order Granting Plaintiff's Motion for Partial Summary Judgment, issued by the United States District Court (Hon. Christina Reiss), *SEC v. Grenda*, No. 1:18-CV-00954-CCR, 2021 WL 1955330 (W.D.N.Y. May 17, 2021)
2	Jury Verdict Form filed December 13, 2021
3	Opinion and Order Granting in Part and Denying in Part Plaintiff's Motion for Post-Trial Remedies, issued by the United States District Court (Hon. Christina Reiss), *SEC v. Grenda*, No. 1:18-CV-00954-CCR, 621 F. Supp. 3d 406 (W.D.N.Y. 2022)
4	Complaint filed August 30, 2018
5	Final Judgment as to Defendant Gregory Grenda filed August 26, 2022
6	G. Grenda Investment Adviser Public Disclosure Report
7	W. Grenda BrokerCheck Report

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