

ADMINISTRATIVE PROCEEDING

File No. 3-17588

SEC Settles with Principals of Former Investment Adviser for Failing to Tell Clients about Financial Conflicts

September 28, 2016 – The Securities and Exchange Commission announced today that two principals of former investment adviser Belvedere Asset Management, LLC (Belvedere), have agreed to settle charges that they failed to tell clients about conflicts of interest arising from Belvedere’s investment of client assets into an affiliated mutual fund.

According to the SEC’s order, Jan Gleisner, Belvedere’s former president, managing director, and 40% indirect owner, invested client assets in Belvedere Alternative Income Fund (BAIF), a new mutual fund formed and advised by Belvedere. Belvedere client assets accounted for more than 75% of BAIF’s total investments. Based on an agreement with BAIF, Belvedere had to reimburse BAIF for its expenses exceeding 2.95% of its net asset value. As a result, the Belvedere client investments in BAIF ultimately decreased the amount Belvedere had to reimburse BAIF. In addition, Belvedere’s clients paid double management fees on money invested in BAIF: the management fees clients paid directly to Belvedere and the fees investors paid to BAIF that benefitted Belvedere. Belvedere and Gleisner failed to tell clients about these conflicts of interest.

Also according to the SEC’s order, Keith Pagan, Belvedere’s CEO, CCO, and 45% indirect owner, caused these disclosure failures. Pagan was solely responsible for Belvedere’s compliance and operations functions, and was aware that Gleisner had invested client assets in BAIF. A compliance consultant also advised Pagan that he should give Belvedere’s clients a Form ADV to disclose material conflicts, but he did not. In addition, Pagan failed to implement policies and procedures reasonably designed to prevent violations of the securities laws.

The SEC’s order finds that Belvedere and Gleisner violated Section 206(2) of the Investment Advisers Act of 1940 (Advisers Act), and that Pagan caused their violations. The order also finds that Pagan caused Belvedere’s violations of Sections 204(a) and 206(4) of the Advisers Act and Rules 204-3 and 206(4)-7 thereunder.

Without admitting or denying the findings in the SEC’s order, Gleisner and Pagan agreed to the entry of cease-and-desist orders. Gleisner also agreed to pay disgorgement of \$63,887, prejudgment interest of \$4,614, and a civil penalty of \$40,000, and agreed to be censured. The SEC’s order waives disgorgement against Pagan and does not impose a penalty based on his financial condition.

The SEC’s investigation in this matter was conducted by John Farinacci, Sara Kalin, and Ronnie Lasky of the Enforcement Division’s Asset Management Unit with assistance from Nina Yamamoto of the Los Angeles Regional Office. The SEC examination that led to the investigation was conducted by Charles Liao, George Liu, and Shawn McEnnis in the Los Angeles Regional Office.

See also: [Order](#)