

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-18087**

**SEC Charges Advisory Firm With Violations Related to Mutual Fund Share Classes**

**August 1, 2017** – The Securities and Exchange Commission announced today that Cadaret, Grant & Co, Inc., a registered investment adviser and broker-dealer based in Syracuse, New York, has agreed to settle charges relating to its failure to disclose conflicts of interest arising from the receipt of 12b-1 fees, marketing support payments, and prepaid advisory fees.

An SEC investigation found that from at least 2011 to 2016, Cadaret invested advisory clients in mutual fund share classes with 12b-1 fees instead of lower-fee share classes of the same funds that were available without 12b-1 fees. Cadaret received at least \$1.93 million in 12b-1 fees for investing clients in the higher-fee share classes. The practice of investing clients in mutual fund share classes with 12b-1 fees rather than lower-fee share classes was also inconsistent with Cadaret’s duty to seek best execution for its clients.

During the same period, Cadaret received marketing support payments from two mutual fund complexes. The mutual fund complexes paid marketing support fees to Cadaret when Cadaret invested its advisory clients in mutual fund share classes that charged 12b-1 fees but would not pay such fees when Cadaret invested them in lower-fee share classes. Cadaret received at least \$235,000 in marketing support payments. In addition, Cadaret failed to adopt any written compliance policies and procedures governing mutual fund share class selection.

Cadaret also failed to refund prepaid advisory fees to clients who terminated their relationship with Cadaret before Cadaret earned all of the prepaid fees.

The SEC’s order finds that Cadaret violated Sections 206(2), 206(4), and 207 of the Investment Advisers Act of 1940 and Rule 206(4)-7 thereunder. Without admitting or denying the findings in the SEC’s order, Cadaret agreed to cease and desist from committing or causing further violations of these provisions and to a censure. Cadaret also agreed to pay disgorgement of \$2,591,000, prejudgment interest of \$177,000 and a civil penalty of \$280,000 into a Fair Fund, which Cadaret will distribute to investors.

The SEC’s investigation was conducted by Zachary B. Sturges and John Farinacci and supervised by Panayiota K. Bougiamas of the Asset Management Unit.

**See also:**        [Order](#)