

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 11056 / April 27, 2022

SECURITIES EXCHANGE ACT OF 1934
Release No. 94807 / April 27, 2022

INVESTMENT ADVISERS ACT OF 1940
Release No. 6005 / April 27, 2022

ADMINISTRATIVE PROCEEDING
File No. 3-20835

In the Matter of

WEALTH PLUS, INC.

Respondent.

ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933, SECTIONS 15(b) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, AND 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

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 8A of the Securities Act of 1933 (“Securities Act”), Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), and Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against Wealth Plus, Inc. (“Wealth Plus” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has 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 it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 8A of the Securities Act of 1933, Sections 15(b) and 21C

of the Securities Exchange Act of 1934, and 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 (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds¹ that:

Summary

These proceedings concern false and misleading disclosures about fees and broker-dealer and securities registration violations by former California-registered investment adviser Wealth Plus, Inc. (“Wealth Plus”) and its sole principal Alexandra H. Cock (“Cock”). From at least October 2016 through May 2020 (the “relevant period”), Wealth Plus, through Cock, raised more than \$2.5 million for Professional Financial Investors, Inc. (“PFI”) and Professional Investors Security Fund, Inc. (“PISF” and, together with PFI, the “Companies”), real estate investment and management companies in Marin County, California, by selling unregistered PFI and PISF securities to Wealth Plus’s investment advisory clients in California, New Mexico, Oregon and Washington while not registered as a broker-dealer or associated with a registered broker-dealer. Neither PFI nor PISF registered any of their securities offerings with the Commission, and there was no applicable exemption from registration for their offerings.

The Companies compensated Wealth Plus approximately five percent of the money Wealth Plus invested its advisory clients in PFI and PISF, with Respondent improperly receiving approximately \$90,000 in commissions or “referral fees” from the Companies while acting as an unregistered broker. In addition, Wealth Plus received approximately \$440,000 in management fees from its advisory clients for, among other services, purportedly conducting due diligence on the PFI and PISF investments. However, Cock described the purported due diligence she conducted in misleading terms to clients by overstating the scope of her review. She also failed to disclose to her clients the past criminal conviction of the Companies’ founder, even though she was aware of his criminal history and that he exerted significant control over operations until his death in May 2020. As a result, Wealth Plus’s clients did not have material information needed to make informed decisions about whether to invest in PFI and PISF. Over the relevant period, Wealth Plus’s compensation related to its clients’ PFI and PISF investments totaled approximately \$530,000, which constituted more than 25% of Wealth Plus’s revenue during that same period of time.

Wealth Plus’s conduct willfully violated Sections 5(a) and 5(c) of the Securities Act, Section 15(a) of the Exchange Act, and Section 206(2) of the Advisers Act.

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Respondent

1. **Wealth Plus, Inc.** (“Wealth Plus”) is a California corporation formed in 2003, with its principal place of business in San Rafael, California. Wealth Plus was registered as an investment adviser with the state of California from 2003 to December 2020, when it withdrew its registration as an investment adviser. Over the period from October 2016 through May 2020, Wealth Plus served as investment adviser to high net-worth individuals, trusts, estates, and charitable organizations. It reported approximately \$24.7 million in regulatory assets under management as of September 2020, and charged clients annual advisory fees of 0.5-2% of assets under management.

Other Relevant Entities

2. **Alexandra H. Cock**, age 66, resides in Marin, California. From 2003 to December 2020, Cock was the principal of Wealth Plus. Cock was also registered as an investment adviser representative with an SEC-registered investment adviser from November 2020 to April 2021. She held Series 6, 7, 24, and 63 licenses from approximately 1997 to 2011, and was associated with various broker-dealers during that time. She continues to hold an active Series 65 license. Cock is licensed in California to sell insurance and annuity products. She has also been licensed to practice law in Washington state since 1981. Cock is presently a debtor in the Chapter 13 bankruptcy case pending in the Bankruptcy Court for the Northern District of California, Case No. 21-10328 (the “Bankruptcy Case”).

3. **Professional Financial Investors, Inc.** is a California corporation based in Novato, California that was founded in 1990 by Kenneth J. Casey, who died on May 6, 2020. PFI is a real estate investment and management firm specializing in multi-unit residential and commercial real estate in Northern California. PFI and its related entities, including PISF, own a direct or indirect interest in approximately 70 residential and commercial real properties in California, including equity interests in limited liability companies (together, the “LLCs”) that hold either fee title or an interest as tenant-in-common in various real properties and general partner interests in limited partnerships (together, the “LPs”) that hold fee title to various real properties in California. Casey served as the sole director, officer and shareholder of PFI until 1998, when he relinquished his corporate positions and Lewis Wallach took over as President. Despite relinquishing his corporate positions, Casey continued to exert significant control over PFI until his death. On July 26, 2020, PFI filed a voluntary Chapter 11 bankruptcy petition in the Bankruptcy Court for the Northern District of California.²

4. **Professional Investors Security Fund, Inc.** is a privately held California corporation based in Novato, California and founded in 1983 by Casey. Casey served as its sole shareholder, officer and director from its founding until his death. PISF is a real estate investment

² In September 2020 and June 2021, respectively, the Commission charged PFI’s president and its now-deceased founder with defrauding the purchasers of millions of dollars of PFI and PISF securities. *See SEC v. Lewis I. Wallach*, Case No. 3:20-cv-06756 (N.D. Cal. filed Sept. 29, 2020); *SEC v. The Estate of Kenneth J. Casey*, Case No. 3:21-cv-04164 (N.D. Cal. filed June 2, 2021).

and management firm in Northern California. PISF is currently in Chapter 11 bankruptcy in the Bankruptcy Court for the Northern District of California.

**Wealth Plus Earned Significant Compensation for Recommending
PFI and PISF Securities**

5. Wealth Plus was registered with the state of California as an investment adviser from 2003 through December 2020. Cock was its principal during that time. Wealth Plus was never registered as a broker-dealer. Cock was associated with various registered broker-dealers from 2003 to 2011, but has not been associated with a registered broker-dealer since then.

6. In approximately 1998, while a registered representative associated with a broker-dealer, Cock began recommending her brokerage customers and subsequently clients invest in PFI securities. She solicited her clients through emails, telephone calls and in-person meetings. From October 2016 through May 2020, based on Cock's recommendation, Wealth Plus's advisory clients invested more than \$2.5 million dollars in various securities including a) promissory notes issued by PISF and secured by PISF's interests in the LPs (the "Straight Notes"); b) promissory notes issued by PISF or PFI and secured by first deeds of trust or second deeds of trust on real properties owned by the LPs or PFI (the "DOT Notes"); and c) membership interests in various LLCs.

7. After learning about the Companies from one of her clients in or around 1998, Cock met with Casey and he provided her an overview of the Companies' property portfolio and investment terms. After doing some basic due diligence on the properties, Cock requested Casey pay her a commission for the PFI and PISF securities she sold her clients.

8. In or around 1998, Cock and Casey entered into a verbal agreement in which the Companies agreed to pay Cock, through her firm, a commission on the principal amount invested by each investor she referred to PFI and PISF. Once Wealth Plus was created in 2003, the payments were made to Cock through Wealth Plus. The amount of the commission, which they called a "referral fee," ranged between 1% and 5.75% of the principal amount invested. The "referral fee" that PFI paid Wealth Plus at the outset of any investment was transaction-based compensation that was in some cases more than the typical advisory fee of 0.5-2% Wealth Plus received for managing its clients investments. This "referral fee" gave Cock an incentive to recommend PFI and PISF investments over other investments. From October 2016 through May 2020, Wealth Plus received approximately \$90,000 in referral fees from the Companies for soliciting investors and recommending PFI and PISF investments to its retail advisory clients.

9. In addition to the referral fee that Wealth Plus received at the initiation of any PFI or PISF investment, starting in the second year of the investment term Wealth Plus charged its advisory clients invested in PFI or PISF an advisory fee that it called an annual "maintenance fee" for services Cock purportedly provided, including due diligence. The maintenance fee was 0.6% for DOT Notes secured by first deeds of trust, 0.9% for DOT Notes secured by second deeds of trust, and 1% for the Straight Notes. From October 2016 through May 2020, Wealth Plus received approximately \$440,000 in maintenance fees from its retail advisory clients.

10. During the relevant period, Cock solicited approximately 35 clients in four states and recommended they invest more than \$2.5 million in PFI and PISF. Wealth Plus's total revenue from referral fees and the maintenance fees related to the PFI and PISF investments constituted more than 25% of its revenue from 2016 to 2020.

Failure to Adequately Disclose Referral Fee and Conflict of Interest

11. As an investment adviser, Wealth Plus was obligated to fully disclose all material facts relating to the advisory relationship, including any actual or potential conflicts of interest that might incline it – consciously or unconsciously – to render investment advice that was not disinterested. Thus, Wealth Plus was required to provide advisory clients with sufficient information about any compensation received from PFI or PISF in connection with its recommendations concerning the PFI and PISF securities so that its clients could decide whether to give informed consent to or reject such conflicts or practices, or choose different investment products. Wealth Plus did not disclose to certain clients the referral fee it received from PFI or PISF. For certain clients, Wealth Plus failed to disclose the conflicts of interest it had in recommending PFI and PISF investments, which allowed Wealth Plus to receive referral fees that were in some cases significantly higher than the typical 0.5-2% annual advisory fee charged to clients on other investments.

12. Wealth Plus provided some – but not all – clients who invested in PFI with a firm brochure pursuant to Form ADV Part 2A that disclosed that they “receive compensation for referring clients to third party firms for second deeds of trust and services and investments in first mortgages.” In fact the brochure affirmatively stated “Wealth Plus does not accept commission for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds” and also stated (in the 2016 brochure) “If Wealth Plus receives separate compensation for transactions, we will fully disclose them.” Contrary to these statements, the brochure did not disclose the referral fee that Wealth Plus received in connection with client investments in Straight Notes.

13. Wealth Plus also provided some – but not all – clients with a one-page disclosure document related to the PFI and PISF investments. Although it disclosed the annual maintenance fees, it did not disclose the referral fees Wealth Plus received from the Companies.

14. Wealth Plus failed to fulfill its fiduciary duties owed to clients by failing to provide complete disclosures about the conflicts of interest it had regarding PFI and PISF investments. Specifically, Wealth Plus failed to inform clients that Wealth Plus received a referral fee from PFI that was more than double its typical advisory fee for the first year of a client's investment in PFI and PISF, and that this created an incentive for Wealth Plus to recommend the PFI and PISF investments. Wealth Plus also failed to inform certain advisory clients that it was receiving a referral fee at all.

Misleading Disclosures About Fees and Due Diligence

15. As investment advisers, Wealth Plus and Cock had obligations to accurately describe their fees and the scope of the services Cock would provide advisory clients in exchange

for the management or “maintenance” fee charged. However, Wealth Plus’s disclosures regarding its fees and the diligence Cock performed were misleading and incomplete.

16. In the investment advisory agreement Wealth Plus entered into with each of its clients, it represented that its various fees, including the maintenance fee for PFI and PISF investments, would be based on a percentage of assets under management. Wealth Plus further represented that, for purposes of determining the value of assets not traded on a public market, assets would be “valued at fair value by Wealth Plus.” However, neither Cock nor anyone else at Wealth Plus undertook any efforts to determine the “fair value” of the DOT Notes or the Straight Notes for which Wealth Plus assessed the maintenance fee.

17. Also, as described above, Wealth Plus provided some – but not all – of its clients with a one-page disclosure regarding the DOT Notes, the Straight Notes, and the LLCs. The disclosure for the DOT Notes represented that Cock had “reviewed the Operating Statement and Balance Sheet” for the previous quarter or year. The disclosure for the Straight Notes represented that Cock had “reviewed past corporate financial statements.” For the LLCs, the disclosure stated that she had reviewed “financial statements.” In addition, Cock verbally represented to her clients that she performed significant financial due diligence, including evaluating past financial performance by reviewing the balance sheet and income statement for the relevant properties and that she would also perform ongoing due diligence by reviewing financial statements on a regular basis.

18. However, in reality, in connection with the Straight Notes, Cock failed to obtain or analyze the financial records that Wealth Plus represented to its clients she had reviewed. The documents that Cock reviewed and evaluated as part of her “due diligence” efforts did not contain the information that a reasonable investor would expect to be contained in “financial statements” or “balance sheets.” For certain investments, she only reviewed a single page summary of PFI’s financial statements. And, despite Wealth Plus’s representations that Cock had reviewed “corporate financial statements” in connection with the Straight Notes issued by PISF, she never sought nor received any financial statements for PISF. As a result, Cock did not understand the financial position of PISF or the risks her clients were taking on by investing in PISF.

19. Wealth Plus did not meet its fiduciary duties owed to its clients when it provided misleading and incomplete written and verbal disclosures about the basis for the “maintenance” fee Wealth Plus charged in connection with PFI and PISF investments and about the scope of the due diligence Cock was performing in exchange for the maintenance fee.

Failure to Disclose PFI’s Founder’s Past Criminal Conviction

20. As investment advisers, for each investment product they recommended, Wealth Plus and Cock were obligated to fully disclose all known adverse material facts about the Companies of which they were aware, including risks related to the issuers of the securities they advised their clients to purchase. Before Wealth Plus offered PFI or PISF securities to its clients, Cock learned about Casey’s 1997 guilty plea in federal court and conviction of various felonies, including bank fraud, tax evasion and filing false income tax returns, and knew that Casey served

prison time.³ She also knew that Casey's accounting license had been revoked by the California Board of Accountancy as a result of his felony conviction.

21. Casey was Cock's primary contact at PFI and she met with Casey approximately once each quarter to discuss her clients' investments in PFI and PISF. However, Wealth Plus did not disclose Casey's criminal history or loss of his accounting license to advisory clients when it recommended investments in PFI and PISF during the relevant period, despite the fact that Cock knew, or reasonably should have known, that Casey continued to exercise complete control over the operations of the Companies and played a central role in raising funds from investors.

22. Wealth Plus failed to satisfy its fiduciary duties owed to clients by omitting material facts about risks related to the PFI and PISF investments it recommended to numerous clients given Casey's criminal history and revocation of his accounting license.

Acting as Unregistered Broker-Dealer and Selling Unregistered Securities

23. Cock, acting on behalf of Wealth Plus, solicited more than \$2.5 million in PFI and PISF investments from at least 35 Wealth Plus clients during the relevant period.

24. Cock met in person and communicated with Wealth Plus clients via telephone and in emails about PFI and PISF investments. The Companies regularly provided Wealth Plus and Cock with marketing materials and the necessary offering documents required to solicit their clients, and Cock used those materials to solicit investors, attaching them to emails and disseminating them to investors in in-person meetings. Once a Wealth Plus client agreed to invest in PFI or PISF, Cock assisted the clients with finalizing their investments, including the preparation of necessary paperwork such as investor forms and subscription agreements.

25. In exchange for Cock soliciting investors and recommending that they purchase PFI and PISF securities, the Companies compensated Wealth Plus directly on transactions in securities, in the form of referral fees based on the principal amount invested by investors she introduced to PFI or PISF.

26. However, Wealth Plus was not registered as a broker-dealer and Cock was not associated with a registered broker-dealer during the time she solicited clients and received referral fees for doing so.

27. Additionally, PFI and PISF did not register their securities offerings with the Commission or claim any applicable exemptions, and there were no applicable exemptions from registration for these offerings. Neither the Companies nor Respondent ensured that only accredited investors participated in the offerings and in fact several of Wealth Plus's clients who invested in PFI or PISF securities were not accredited investors.

³ Even after Casey was convicted and served prison time, he continued to exert control over the Companies and make material decisions regarding PFI and PISF, including raising money from and communicating with investors.

Violations

28. As a result of the conduct described above, Respondent willfully violated Sections 5(a) and 5(c) of the Securities Act, which prohibit offering and selling securities in unregistered transactions.

29. As a result of the conduct described above, Respondent willfully violated Section 206(2) of the Advisers Act, which prohibits fraudulent conduct by an investment adviser. Negligence is sufficient to establish a Section 206(2) violation. *SEC v. Steadman*, 967 F.2d 636, 643 n.5 (D.C. Cir. 1992) (citing *SEC v. Capital Gains Research Bureau, Inc.*, 375 U.S. 180, 195 (1963)).

30. As a result of the conduct described above, Respondent willfully violated Section 15(a) of the Exchange Act, which prohibits any broker or dealer from making use of the mails or any means or instrumentality of interstate commerce to effectuate any transactions in, or to induce or attempt to induce the purchase or sale of, any security unless such broker or dealer is registered in accordance with Section 15(b) of the Exchange Act.

Disgorgement and Civil Penalties

31. The disgorgement and prejudgment interest ordered in paragraph IV.C are consistent with equitable principles and do not exceed Respondent's net profits from its violations, and will be distributed to harmed investors to the extent feasible. The Commission will hold funds paid pursuant to paragraph IV.C 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 and in the public interest to impose the sanctions agreed to in Respondent Wealth Plus's Offer.

Accordingly, pursuant to Section 8A of the Securities Act, Sections 15(b) and 21C of the Exchange Act, Sections 203(e), and 203(k) of the Advisers Act, it is hereby ORDERED that:

A. Respondent Wealth Plus cease and desist from committing or causing any violations and any future violations of Sections 5(a) and 5(c) of the Securities Act, Section 15(a) of the Exchange Act and Section 206(2) of the Advisers Act.

B. Respondent Wealth Plus is censured.

C. Except as provided in this provision, Respondent Wealth Plus shall within 30 days of the entry of this Order, pay, jointly and severally, with Cock, disgorgement of \$329,546, prejudgment interest of \$38,686, and a civil money penalty in the amount of \$30,000 to the

Securities and Exchange Commission. No payment is due while the Bankruptcy Case (Case No. 21-10328, Bankr. N.D. Cal.) is pending and the automatic stay is in effect. Payment is due within 30 days after termination of the automatic stay in the Bankruptcy Case, or in accordance with a Chapter 13 plan confirmed in the Bankruptcy Case. 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 a civil money penalty is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717. The amount of disgorgement and interest payable by Respondent Wealth Plus under the Order shall be reduced by the amount that Cock pays to her Wealth Plus clients in the Bankruptcy Case, as evidenced by documentation provided by Cock to the Commission staff.

D. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent 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) Respondent 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 Respondent's name as a Respondent 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 Monique Winkler, Associate Director of Enforcement, San Francisco Regional Office, Securities and Exchange Commission, 44 Montgomery Street, Suite 2800, San Francisco, California 94104-4802

E. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, a Fair Fund is created for the disgorgement, prejudgment interest AND penalties referenced in paragraph 31 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 agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent'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 agrees that it 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 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.

By the Commission.

Vanessa A. Countryman
Secretary