UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 4537 / September 28, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17588

In the Matter of **JAN GLEISNER AND KEITH D. PAGAN** **Respondents.**	**ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTIONS 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 Sections 203(f) and 203(k) of the Investment Advisers Act of 1940 ("Advisers Act") against Jan Gleisner ("Gleisner") and pursuant to Section 203(k) of the Advisers Act against Keith D. Pagan ("Pagan").

II.

In anticipation of the institution of these proceedings, Gleisner and Pagan (collectively, "Respondents") have submitted Offers of Settlement ("Offers") 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 them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V as to Gleisner, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 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' Offers, the Commission finds[1] that:

Summary

1. This proceeding arises from the failures by a former Commission-registered investment adviser, Belvedere Asset Management LLC ("Belvedere"), and its two principals, to disclose material conflicts of interest to clients whose money Belvedere used to fund an affiliated mutual fund. Gleisner, Belvedere's president and managing director, indirectly owned 40% of Belvedere, and Pagan, its chief executive officer, chief information officer, and chief compliance officer, indirectly owned 45% of Belvedere.

2. From January 2013 through April 2014, Gleisner invested about a third of the assets held by Belvedere's individual clients into Belvedere's new mutual fund, Belvedere Alternative Income Fund ("BAIF"). Belvedere, Gleisner and Pagan failed to disclose to clients the material conflicts of interest inherent in these investments due to the adviser's financial incentives to invest clients in the affiliated mutual fund. Pagan also caused Belvedere's violations of the Advisers Act relating to compliance rules and Form ADV delivery requirements, which were tasks he was specifically required to perform pursuant to Belvedere's policies and procedures.

3. By virtue of this conduct, Gleisner and Belvedere violated Section 206(2) of the Advisers Act, and Pagan caused their violations. Pagan also caused Belvedere's violations of Sections 206(4) and 204(a) of the Advisers Act and Rules 206(4)-7 and 204-3 thereunder.

Respondents

4. **Jan Gleisner**, age 43, is a resident of San Diego, California. During the relevant time, he was president and managing director of Belvedere and, through his company California Wealth Management LLC, he owned 40% of Belvedere Tigers LLC ("BT"), a holding company and 100% owner of Belvedere. Gleisner was in charge of Belvedere's separately managed account clients and, as such, he had discretionary authority to make all trading decisions on behalf of those clients.

5. **Keith D. Pagan**, age 49, is a resident of Corte Madera, California. During the relevant time, he was Belvedere's chief executive officer, chief information officer, chief compliance officer, and principal. He owned 45% of BT through his holding company Cloak, LLC. At all relevant times, Pagan was the individual solely responsible for Belvedere's compliance and operations functions.

[1] The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

Other Relevant Entities

6. **Belvedere Asset Management, LLC**, a California limited liability company, was an investment adviser registered with the Commission between November 2012 and January 2015, and registered as an investment adviser with the state of California between September 2008 and September 2013. Belvedere's principal place of business was in Newport Beach, California. In January 2015, Belvedere withdrew from Commission registration and Pagan is in the process of winding down its operations. Belvedere does not currently manage any client assets.

7. **Belvedere Alternative Income Fund ("BAIF")**, a mutual fund formed by Belvedere on December 31, 2012 as a series of Two Roads Series Trust, was registered with the Commission as an open-end management company, and had net assets under management of approximately $4.4 million as of December 2013. Belvedere was BAIF's investment adviser from December 31, 2012 through April 11, 2014, when it resigned.

Facts

Belvedere Clients' Invest in Its Affiliated Mutual Fund

8. Belvedere began serving as an investment adviser to individual clients and three proprietary hedge funds in 2010. In December 2012, Belvedere launched BAIF, a proprietary mutual fund, and began acting as its investment adviser, as well. Gleisner managed Belvedere's individual clients' assets, over which he had discretionary authority, while Pagan operated Belvedere's hedge funds and BAIF, and was responsible for writing and implementing Belvedere's policies and procedures. Per Belvedere's policies and procedures manual, Pagan's responsibilities included reviewing and updating Belvedere's manual to ensure that it was consistent with, among other things, all current federal securities laws, rules and regulations.

9. From January 2013 through March 31, 2014, Belvedere charged its clients annual advisory management fees averaging 1.3% of each client's assets under management (paid quarterly, in advance).

10. Belvedere charged BAIF an asset management fee of 1.95%, and required it to pay fund expenses. However, prior to the launch of BAIF, Belvedere agreed to limit the annual operating expenses for each of BAIF's four share classes (the "Expense Limitation Agreement"). In particular, if the operating expenses for the institutional share class of the fund exceeded 2.95% of its net asset value, Belvedere would reimburse BAIF on a monthly basis for the expenses above that threshold.

11. In mid-January 2013, Gleisner bought shares of BAIF's institutional share class for the Belvedere clients he managed, using a portion of the cash available in the clients' accounts from securities sales he had made the prior month. Gleisner purchased about $2.17 million worth of shares across 42 client accounts, using an average of 35% of each client's total assets in those accounts. Gleisner informed Pagan of his use of clients' funds to purchase BAIF. By April 2013, BAIF had $4.1 million in total assets; these clients' purchases of BAIF shares made up almost $3

million of that amount (77.5%).

12. From January 1, 2013 through April 30, 2014, the clients who owned BAIF paid double fees on the amounts invested in BAIF. First, the clients paid Belvedere advisory fees of, on average, 1.3% of their assets under management, which included assets invested in BAIF. All totaled, this amounted to almost $38,000 in advisory fees to Belvedere. Second, the clients paid the mutual fund fees and expenses for BAIF of 2.95%. Between January 2013 and April 2014, when Gleisner sold the majority of clients' BAIF shares, those clients paid approximately $77,500 in mutual fund fees and expenses. These BAIF fees and expenses were not disclosed to Belvedere's clients and were not reflected in any client's monthly account statements.

13. Throughout this time, BAIF's expense ratio exceeded the 2.95% cap set forth in the Expense Limitation Agreement. As a result, Belvedere was contractually obligated to reimburse the fund for the expenses that exceeded that cap. Although Belvedere ultimately paid more money to cover BAIF's expenses than BAIF received in management fees from investors, Belvedere paid significantly less due to its clients' investments in BAIF. Belvedere became obligated to repay the fund for additional expenses only after the expense cap threshold was hit.

14. Because of their indirect ownership of Belvedere, Gleisner and Pagan also financially benefitted from the Belvedere clients' investments in BAIF.

Failure to Disclose Conflicts of Interest Concerning BAIF

15. Per Belvedere's policies and procedures manual, the firm was to provide clients with "full and fair disclosure of all material facts relating to any conflicting interests between the Firm and any clients." Pagan was responsible for identifying material conflicts of interest, "tak[ing] into account … activities of the Firm that might give rise to a conflict between the interests of the Firm and its affiliates, on the one hand, and the interests of the Funds, on the other. … [and] oversee[ing] the consideration of appropriate disclosure and/or mitigation of the conflicts." (Emphasis added) The manual did not provide similar information for conflicts between the interests of Belvedere and its individual clients, particularly with regard to clients' investment in an affiliated mutual fund.

16. Belvedere and Gleisner failed to disclose to Belvedere's clients any conflicts of interest relating to BAIF. In addition, per Belvedere's compliance manual, Pagan had the responsibility to amend and deliver to clients Belvedere's Form ADV Part 2 disclosing this conflict, but he did not do so. In November 2012, Belvedere filed an amended Form ADV Part 2 disclosing in Items 5.A and 5.C that Belvedere may invest clients in registered funds advised by it, which would create conflicts of interest to the extent that Belvedere receives fees on both account and fund assets. Belvedere identified its conflicts of interest related to the mutual fund as a material change to the Form ADV Part 2. In addition to filing the amended Form ADV, Belvedere was required to offer or deliver the Form ADV Part 2 or a summary of the material changes to clients, but Belvedere failed to do so before Gleisner purchased BAIF in his clients' accounts or at any time thereafter, including within 120 days of Belvedere's fiscal year-end.

17. In mid-February 2013, one month after Gleisner invested clients' assets in BAIF, Pagan sent an email to Belvedere's outside compliance consultant asking whether Belvedere should send the Form ADV and privacy notice to Belvedere's funds and individual clients. The compliance consultant advised Pagan that he "should be providing investors with an ADV and privacy notice prior to the initial investment … and annually thereafter." Pagan did not follow the consultant's advice.

18. Between July 2013 and January 2014, Gleisner separately provided at least some clients who were invested in BAIF with a written disclosure regarding the conflict. That disclosure provided that Belvedere "may" invest clients' assets in one or more of its registered funds and charge additional fees for those fund investments, which "may" create a conflict of interest. The disclosure was inadequate because at the time it was made Belvedere had actually invested those particular clients' assets in BAIF, and Belvedere had an actual conflict of interest.

Violations

19. As a result of the conduct described above, Gleisner willfully[2] violated, and Pagan caused Belvedere's and Gleisner's violation of, Section 206(2) of the Advisers Act, which makes it unlawful for any investment adviser, directly or indirectly, to "engage in any transaction, practice or course of business which operates as a fraud or deceit upon any client or prospective client." Scienter is not required to establish a violation of Section 206(2), but rather may rest on a finding of negligence. *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. 180,194-95 (1963)).

20. As a result of the conduct described above, Pagan caused Belvedere's violations of Section 206(4) of the Advisers Act and Rule 206(4)-7 promulgated thereunder, which require investment advisers to adopt and implement written policies and procedures reasonably designed to prevent violation of the Advisers Act and its rules.

21. As a result of the conduct described above, Pagan caused Belvedere's violations of Section 204(a) of the Advisers Act and Rule 204-3 promulgated thereunder. Section 204(a) of the Advisers Act requires investment advisers to "make and disseminate" reports as the Commission, by rule, may prescribe as necessary or appropriate in the public interest or for the protection of investors. Rule 204-3 under the Advisers Act requires registered investment advisers to timely "deliver a brochure and one or more brochure supplements to each client or prospective client that contains all information required by Part 2 of Form ADV." Advisers Act Rule 204-3(a). As part of the annual amendment process, Rule 204-3(b)(2) requires that if there are material changes to the brochure, the adviser must deliver, within 120 days after the end of its fiscal year, either a

[2] A willful violation of the securities laws means merely "'that the person charged with the duty knows what he is doing.'" *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "'also be aware that he is violating one of the Rules or Acts.'" *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

"current brochure" or a summary of these changes and "an offer" to provide clients a copy of the brochure.

Disgorgement And Civil Penalties

22. Respondent Pagan has submitted a sworn Statement of Financial Condition dated March 21, 2016 and other evidence and has asserted his inability to pay disgorgement plus prejudgment interest and a civil penalty.

Undertakings

23. Before the entry of this Order, Respondents Gleisner and Pagan had begun winding down the operations of Belvedere, and Pagan shall continue that process.

24. Notice to Advisory Clients: Gleisner. Within thirty (30) days of entry of this Order, Gleisner shall provide a copy of the Order to each of his existing advisory clients as of the entry of this Order via mail, e-mail, or such other method as may be acceptable to the Commission staff, together with a cover letter in a form not unacceptable to the Commission staff. For a period of one (1) year from the entry of this Order, Gleisner shall provide a copy of the Order to all of his prospective clients.

25. Notice to Advisory Clients: Pagan. Based on Pagan's representations, he is not currently associated with an investment adviser and does not represent any clients. For a period of one (1) year from the entry of this Order, Pagan shall provide a copy of the Order with a cover letter in a form not unacceptable to the Commission staff, to all of his prospective clients, should he go back into the securities industry.

26. Respondents shall certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondents agree to provide such evidence. The certification and supporting material shall be submitted to C. Dabney O'Riordan, Co-Chief, Asset Management Unit, Division of Enforcement, Securities and Exchange Commission, 444 S. Flower Street, Ste. 900, Los Angeles, CA 90071, with a copy to the Office of Chief Counsel of the Division of Enforcement, Securities and Exchange Commission, 100 F. Street, NE, Washington, DC 20549, no later than sixty (60) days from the date of the completion of the undertakings.

IV.

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

Accordingly, pursuant to Sections 203(f) and 203(k) of the Advisers Act it is hereby ORDERED that:

A. Respondents Gleisner and Pagan shall cease and desist from committing or causing any violations and any future violations of Section 206(2) promulgated thereunder;

B. Respondent Pagan shall cease and desist from committing or causing any violations and any future violations of Sections 204(a) and 206(4) of the Advisers Act and Rules 204-3 and 206(4)-7 promulgated thereunder.

C. Respondent Gleisner is censured.

D. Respondent Gleisner shall, within ten (10) days of the entry of this Order, pay disgorgement of $63,887.43 and prejudgment interest of $4,614.11, to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.

E. Respondent Gleisner shall pay a civil money penalty in the amount of $40,000 to the Securities and Exchange Commission. Payment shall be made in the following installments: (1) $10,000 within 90 days of entry of this Order; (2) $10,000 within 180 days of entry of this Order; (3) $10,000 within 270 days of entry of this Order; and (4) $10,000 within 360 days of entry of this Order. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of civil penalties, plus any additional interest accrued pursuant to 31 U.S.C. 3717, shall be due and payable immediately, without further application.

F. All payments required by this Order 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

G. Payments by check or money order must be accompanied by a cover letter identifying Gleisner 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 C. Dabney O'Riordan, Co-Chief, Asset Management Unit, Division of Enforcement, Securities and Exchange

Commission, 444 South Flower Street, Suite 900, Los Angeles, CA 90071.

H. Respondent Pagan shall, within 10 days of the entry of this Order, pay disgorgement of $39,702 and prejudgment interest of $2,867.37, but payment of such amount is waived and the Commission is not imposing a penalty based upon Pagan's sworn representations in his Statement of Financial Condition dated March 21, 2016 and other documents submitted to the Commission.

I. The Division of Enforcement ("Division") may, at any time following the entry of this Order, petition the Commission to: (1) reopen this matter to consider whether Respondent Pagan provided accurate and complete financial information at the time such representations were made; and (2) seek an order directing payment of disgorgement and pre-judgment interest. No other issue shall be considered in connection with this petition other than whether the financial information provided by Respondent was fraudulent, misleading, inaccurate, or incomplete in any material respect. Respondent Pagan may not, by way of defense to any such petition: (1) contest the findings in this Order; (2) assert that payment of disgorgement and interest should not be ordered; (3) contest the amount of disgorgement and interest to be ordered; or (4) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

J. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended, a Fair Fund is created for the disgorgement, prejudgment interest and penalties referenced in paragraphs IV.D. and 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 Gleisner 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 Gleisner'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 Gleisner 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 Gleisner 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.

K. Respondent Gleisner shall comply with the undertakings enumerated in Paragraphs 24 and 26 above, and Respondent Pagan shall comply with the undertakings enumerated in Paragraphs 23, 25 and 26 above.

V.

It is further Ordered that, solely 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 Gleisner and further, any debt for disgorgement, prejudgment interest, civil penalty or

other amounts due by Respondent Gleisner 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 Gleisner 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.

Brent J. Fields
Secretary