

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 5453 / February 27, 2020**

**ADMINISTRATIVE PROCEEDING File**  
**No. 3-19716**

**In the Matter of**

**SICA WEALTH  
MANAGEMENT, LLC and  
JEFFREY C. SICA**

**Respondents.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS  
PURSUANT TO SECTIONS 203(e), 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(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against Sica Wealth Management, LLC and Jeffrey C. Sica (“Respondents”).

**II.**

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “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, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(e), 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<sup>1</sup> that:

#### Summary

These proceedings involve conflicts of interest that were not adequately disclosed to advisory clients by registered investment adviser Sica Wealth Management, LLC ("SWM") and its principal Jeffrey C. Sica ("Sica"). From October 2013 to March 2015, on Sica's recommendation, approximately 45 SWM advisory clients invested a total of more than \$30 million in securities issued by Aequitas Commercial Finance, LLC ("ACF"), one of numerous entities affiliated with the Aequitas enterprise, the ultimate parent of which is Aequitas Management, LLC (collectively referred to herein as "Aequitas").<sup>2</sup>

From October 2013 to November 2015 (the "relevant period"), SWM and Sica failed to disclose to these clients material facts regarding compensation that Aequitas provided to SWM and another firm owned and controlled by Sica, (the "Affiliated Adviser"), which created conflicts of interest relating to SWM's and Sica's recommendations that clients invest in Aequitas securities. Specifically, Aequitas paid SWM and the Affiliated Adviser a total of approximately \$2 million during the relevant period pursuant to consulting agreements and a loan agreement (collectively referred to as the "Aequitas agreements"). The Aequitas agreements and the resulting compensation should have been disclosed to clients so that they could fairly evaluate the conflicts in deciding whether to invest in Aequitas securities. By failing to disclose these facts to advisory clients, SWM and Sica violated Section 206(2) of the Advisers Act.

#### Respondents

1. **Sica Wealth Management, LLC** is a Delaware limited liability company with its principal place of business in Morristown, New Jersey. SWM has been registered with the Commission as an investment adviser since April 2010. During the relevant period, SWM served as investment adviser to approximately 100 individual retail clients and had approximately \$110 million in assets under management. SWM earns the majority of its revenues from advisory fees for managing the portfolios of its clients, and SWM charged clients an average annual management fee of 1% during the relevant period.

2. **Jeffrey Carmen Sica**, age 52, resides in Brookside, New Jersey. Sica founded SWM in 2010 and has controlled SWM since its founding. He is SWM's sole owner and managing member, and also serves as president and chief investment officer. During the relevant period, Sica oversaw portfolio management for all of SWM's advisory clients, had general oversight over the firm's compliance functions—including final approval of all Form

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<sup>1</sup> 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.

<sup>2</sup> In March 2016, the Commission charged ACF and several other Aequitas companies and officers with defrauding the purchasers of more than \$300 million in ACF promissory notes and other Aequitas securities. See *SEC v. Aequitas Management, LLC, et al.*, No. 3:16-cv-00438-PK (D. Or. filed March 10, 2016).

ADV filings and client disclosures—and received distributions from its profits. Sica was associated with a registered broker-dealer until August 2010, but he has not been associated with a registered broker-dealer since.

### **Other Relevant Entity**

3. **Affiliated Adviser** is a Delaware limited liability company with its principal place of business in Morristown, New Jersey. Sica founded Affiliated Adviser in February 2014, and, since October 2014, Affiliated Adviser has been registered with the Commission as an investment adviser. Since its founding, Sica has been Affiliated Adviser’s sole owner, managing member, and president, and has been entitled to take distributions from Affiliated Adviser’s profits.

### **Facts**

#### **SWM and Sica Had Conflicts of Interest Related to Their Recommendations to Invest in Aequitas Securities.**

4. Beginning in October 2013, Sica recommended investments in Aequitas securities to SWM advisory clients, specifically promissory notes issued by ACF (“ACF Notes”). From October 2013 to March 2015, acting on Sica’s recommendation, approximately 45 SWM advisory clients invested a total of approximately \$30.6 million in ACF Notes.<sup>3</sup>

5. At the same time that Sica was recommending ACF Notes as investment opportunities and SWM advisory clients were investing in ACF Notes, Sica negotiated for SWM and Affiliated Adviser to receive compensation from Aequitas, in the form of two consulting agreements and a loan agreement (collectively the “Aequitas agreements”).

6. From October 2013 to January 2014, Sica and certain Aequitas officers had an understanding that SWM would receive some form of compensation from Aequitas, and SWM and Sica began recommending that clients invest in ACF Notes. Sica and the Aequitas officers initially discussed that SWM would receive a 1% annual referral fee for all SWM client assets placed in ACF Notes for as long as the assets remained invested, but Sica and Aequitas ultimately agreed on a consulting arrangement with a flat monthly fee that was not calculated based on the amounts that clients of SWM and Sica invested in ACF Notes.

7. On January 31, 2014, SWM, through Sica, executed a consulting services agreement with the Aequitas entity that served as investment adviser to ACF, Aequitas Capital Management, Inc. (“ACM”). Under the terms of the agreement, SWM received an initial \$30,000 payment and ongoing payments of \$30,000 per month to provide ACM with certain services, including advice on marketing and introductions to prospective investors. On July 1, 2014, SWM and ACM renewed the consulting services agreement and increased the amount of the monthly consulting payments

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<sup>3</sup> In March 2015, SWM and Sica ceased recommending investments (or reinvestments) in Aequitas securities, and by November 2015, ACF had redeemed approximately \$20 million of the promissory notes held by SWM’s and Sica’s advisory clients.

to \$45,000. SWM received approximately \$1 million from ACM under the consulting agreement from February 2014 to January 2016.

8. On April 3, 2014, Affiliated Adviser, through Sica, entered into a business loan agreement with ACF. Under the terms of the loan agreement, Affiliated Adviser borrowed \$500,000 from ACF at an annual interest rate of 8%, with a maturity date of March 1, 2015. To date, Affiliated Adviser has not paid any interest or repaid any principal on the loan that it received from ACF.

9. In December 2014, Affiliated Adviser, through Sica, entered into a consulting services agreement with ACM. Under the terms of the agreement, Affiliated Adviser received a quarterly payment of \$125,000 to provide certain services, including assisting ACM in its outreach to other registered investment advisers and preparing marketing materials concerning alternative investments. Affiliated Adviser received approximately \$500,000 from ACM pursuant to this consulting agreement.

10. In total, SWM and Affiliated Adviser received approximately \$2 million during the relevant period pursuant to the Aequitas agreements. SWM also charged a 1% annual management fee on the majority of the ACF Notes held by SWM clients during the relevant period, which totaled \$236,029.19. Sica benefited from the Aequitas agreements and the advisory fees charged on the ACF Notes because he was the sole owner of SWM and CSQ and took distributions from them during the relevant period.

11. The Aequitas agreements and compensation paid pursuant to them created conflicts of interest between SWM and Sica, on the one hand, and their advisory clients, on the other. Specifically, while SWM and Sica were recommending ACF Notes as investments for their clients, SWM and Affiliated Adviser were receiving financial benefits from ACF and ACM in the form of payments under the consulting agreements and loan agreement. The Aequitas agreements and the ensuing payments created an undisclosed financial interest for SWM and Sica that was material to SWM's and Sica's clients because it could have incentivized Sica and SWM to recommend ACF Notes to clients over other potential investments.

*SWM and Sica Did Not Adequately Disclose to Advisory Clients the Conflicts of Interest Related to Aequitas.*

12. As investment advisers, SWM and Sica had a duty to make full and fair disclosure to clients of all material facts relating to the advisory relationship, including any actual or potential conflicts of interest which might incline SWM or Sica—consciously or unconsciously—to render investment advice which was not disinterested. SWM and Sica were required to provide clients with information about the Aequitas agreements that was sufficiently clear and detailed so that the clients could understand the conflicts and decide whether to invest in ACF Notes.

13. SWM and Sica did not adequately disclose their Aequitas-related conflicts of interest during the relevant period. At all relevant times, SWM's compliance manual contained policies and procedures stating that SWM would disclose conflicts of interest to advisory clients in the brochure portion of the firm's Form ADV ("ADV Brochure"). At the time they recommended

that clients invest in ACF Notes (from October 2013 to March 2015), SWM and Sica failed to disclose to clients, in the ADV Brochure or in any other way, the Aequitas agreements or the money that SWM and Affiliated Adviser received from Aequitas pursuant to the agreements. SWM did not disclose the existence of these agreements to clients until November 24, 2015, when SWM filed with the Commission and sent to clients a revised ADV Brochure.

14. From October 2013 to June 2014, SWM's ADV Brochure made no reference at all to the Aequitas entities and the compensation and benefits they provided to SWM and Affiliated Adviser. In June 2014, after consultation with its outside counsel and compliance consultant, SWM revised its ADV Brochure to state that Sica, in his individual capacity, held an advisory position with Aequitas. This statement was inaccurate and misleading. Sica did not hold an individual advisory position with Aequitas; rather, SWM and Affiliated Adviser were parties to the Aequitas agreements and were receiving payments from Aequitas. The use of the phrase "in his individual capacity" gave the false impression that Sica's role with Aequitas was wholly separate from his investment advisory businesses. The revised ADV Brochure made no reference to the agreements or payments and did not explain the resulting conflicts of interest.

15. SWM did provide some, but not all, clients who invested in ACF Notes with written forms concerning Aequitas around the time the clients completed investment paperwork for the ACF Notes. However, these forms, like the June 2014 revised ADV Brochure, inaccurately and misleadingly stated that Sica held an advisory position with Aequitas in his individual capacity, and also failed to disclose any information regarding the consulting agreements, the loan agreement, or the payments that SWM and Affiliated Adviser were receiving from ACF and ACM. Therefore, the written forms that some clients received and the ADV Brochures filed during the relevant period did not adequately disclose the material facts about the actual source of the conflicts, namely the Aequitas agreements and resulting compensation, which were entered into and received at the same time Sica was recommending client investments in ACF Notes.

16. Sica, as the sole owner and managing member of SWM and the Affiliated Adviser who negotiated the Aequitas agreements, and as the individual at SWM with ultimate responsibility for investment recommendations, client disclosures, and approval of ADV Brochure filings, was responsible for the failure to provide advisory clients who invested in ACF Notes with complete and accurate disclosures regarding the Aequitas-related conflicts of interest.

### **Violations**

17. As a result of the conduct described above, Respondents SWM and Sica willfully<sup>4</sup> violated Section 206(2) of the Advisers Act, which prohibits investment advisers from engaging "in any transaction, practice, or course of business which operates as a fraud or deceit upon any client

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<sup>4</sup> "Willfully," for purposes of imposing relief under Sections 203(e) or 203(f) of the Advisers Act, "means no more than 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." *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965). The decision in *The Robare Group, Ltd. v. SEC*, which construed the term "willfully" for purposes of a differently structured statutory provision, does not alter that standard. 922 F.3d 468, 478-79 (D.C. Cir. 2019) (setting forth the showing required to establish that a person has "willfully omit[ted]" material information from a required disclosure in violation of Section 207 of the Advisers Act).

or prospective client.” Proof of 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, 195 (1963)).

### **Undertakings**

Respondent SWM has undertaken to:

18. Notice to Investors. Within thirty (30) days of the entry of this Order, SWM shall provide a copy of the Order to each current SWM client and any former client of SWM during the relevant period who invested in Aequitas ACF promissory notes 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. Furthermore, for a period of twenty-four (24) months from the entry of this Order, to the extent that SWM is required to deliver an ADV Brochure to a client and/or prospective client pursuant to Rule 204-3 of the Advisers Act, SWM shall also provide a copy of the Order to such client and/or prospective client.

19. Deadlines. For good cause shown, the Commission staff may extend any of the procedural dates relating to the undertakings. Deadlines for procedural dates shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered to be the last day.

20. Certification of Compliance by Respondent SWM. SWM shall certify, in writing, compliance with its undertakings set forth in paragraph 18. 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 SWM agrees to provide such evidence. The certification and supporting material shall be submitted to Steven D. Buchholz, Assistant Regional Director, San Francisco Regional Office, Securities and Exchange Commission, 44 Montgomery Street, Suite 2800, San Francisco, California 94104-4802, with a copy to the Office of Chief Counsel of the Enforcement Division, 100 F Street, NE Washington, DC 20549-6553, no later than thirty (30) 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(e), 203(f) and 203(k) of the Advisers Act, it is hereby ORDERED that:

A. Respondents SWM and Sica cease and desist from committing or causing any violations and any future violations of Section 206(2) of the Advisers Act.

B. Respondents SWM and Sica are censured.

C. Respondent SWM shall pay disgorgement of \$236,029.19, prejudgment interest of \$62,664.23 and a civil penalty of \$80,000 to the Securities and Exchange Commission. Payment

shall be made in the following installments: \$150,000 within 14 days of the entry of this Order; \$57,173.36 within 90 days of the entry of this Order; \$57,173.36 within 180 days of the entry of this Order; \$57,173.35 within 270 days of the entry of this Order; and \$57,173.35 within 360 days of the entry of this Order plus any outstanding amounts due to the application of post-order interest, which accrues pursuant to SEC Rule of Practice 600 and pursuant to 31 U.S.C. § 3717. Prior to making the final payment set forth herein, Respondent shall contact the staff of the Commission for the amount due. If Respondent fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

D. Respondent Sica shall, within 14 days of the entry of this Order, pay a civil penalty in the amount of \$30,000 to the Securities and Exchange Commission. If timely payment is not made, interest shall accrue pursuant to 31 U.S.C. § 3717.

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](https://www.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 Sica Wealth Management, LLC or Jeffrey C. Sica 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 Steven D. Buchholz, Assistant Regional Director, 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 paragraphs C and D 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 penalties, Respondents agree that in any Related Investor

Action, Respondents shall not argue that Respondents are entitled to, nor shall benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of civil penalties in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that Respondents 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 Respondents 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 these proceedings.

F. Respondent SWM shall comply with the undertakings enumerated in Paragraphs 18 to 20, 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 Sica, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent Sica 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 Sica 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.

Vanessa A. Countryman  
Secretary