

## Press Release

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# SEC Orders an Additional 16 Self-Reporting Advisory Firms to Pay Nearly \$10 Million to Investors

## Orders Firm That Did Not Self-Report to Pay \$300,000 Penalty for Disclosure Failures

### FOR IMMEDIATE RELEASE

2019-200

Washington D.C., Sept. 30, 2019 — The Securities and Exchange Commission today announced settled charges against 17 investment advisers for disclosure failures regarding their mutual fund share class selection practices. The firms include 16 advisers that self-reported as part of the Division of Enforcement's [Share Class Selection Disclosure Initiative](#) and one adviser that did not self-report and was ordered to pay a \$300,000 civil penalty.

As part of the initiative announced on Feb. 12, 2018, the Division of Enforcement agreed that for eligible firms that self-reported by the deadline, the Division would recommend standardized settlement terms to the Commission, including that the Commission not impose a civil penalty. On March 11, 2019, [the Commission instituted actions against 79 advisers](#) that participated in the initiative, ordering the payment of over \$125 million in disgorgement and prejudgment interest to investors. Today, the Commission issued orders against 16 additional advisers that self-reported as part of the initiative, bringing the total amount ordered to be returned to investors to over \$135 million. The Commission did not order a civil penalty as to any of those self-reporting firms.

The Commission today also [charged Mid Atlantic Financial Management Inc.](#), which was eligible to self-report as part of the initiative but did not. The Commission found that Mid Atlantic, whose affiliate received 12b-1 fees, failed to fully disclose the conflicts arising from its selection of more expensive mutual fund share classes for clients when lower-cost share classes for the same fund were available. Among other things, the SEC ordered Mid Atlantic to pay over \$1 million in disgorgement and prejudgment interest. Unlike the firms that self-reported as part of the initiative, however, the Commission also ordered Mid Atlantic to pay a \$300,000 civil monetary penalty.

"Today's actions reaffirm the benefits to advisers and their clients for self-reporting as part of the Initiative," said C. Dabney O'Riordan, Co-Chief of the Asset Management Unit. "They also demonstrate the Commission's commitment to holding advisers accountable for selecting more expensive investment: [Return to Top](#) away at their clients' investment returns without proper disclosure."

The SEC's orders find that the 16 self-reporting firms violated Section 206(2) of the Investment Advisers Act of 1940, and ordered that they are censured, that they cease and desist from future violations, that they pay disgorgement and prejudgment interest totaling nearly \$10 million and that they comply with certain undertakings, including returning the money to investors. As to Mid Atlantic, the SEC's order finds that it violated Sections 206(2) and 206(4) of the Investment Advisers Act of 1940 and Rule 206(4)-7 thereunder, and ordered that it is censured, that it cease-and-desist from future violations, that it pay disgorgement and prejudgment interest totaling over \$1

million and a \$300,000 civil penalty, and that it comply with certain undertakings, including returning the money to investors.

The Share Class Selection Disclosure Initiative is being led by the Division of Enforcement's Asset Management Unit. The settlements announced today were coordinated by SEC attorneys Robert Baker, Cindy Baran, Brian Basinger, Anne Graber Blazek, Panayiota Bougiamas, Jason Burt, Payam Danialypour, Charles Davis, Ronnie Lasky, Heather Marlow, Brendan McGlynn, Paul Montoya, Michael Moran, Jessica Neiterman, Donna Norman, Christine O'Neil, Jeremy Pendrey, Max Polonsky, Melissa Robertson, Corey Schuster, Andrew Shoenthal, Ivonia Slade, Al Tierney, Ariana Torchin, Karen Willenken, Kate Zoladz, and John Farinacci, an industry expert in the Asset Management Unit.

The SEC's investigation of Mid Atlantic was conducted by Oreste P. McClung and supervised by Brendan P. McGlynn, both of the Asset Management Unit in the Philadelphia Regional Office. Mr. Farinacci assisted with the investigation.

**Firms Charged That Self-Reported as Part of the Initiative:**

[Bill Few Associates Inc.](#)

[Cargile Investment Management Inc.](#)

[Comprehensive Capital Management Inc.](#)

[Equity Services Inc.](#)

[Essex Financial Services Inc.](#)

[Folger Nolan Fleming Douglas Capital Management Inc.](#)

[Henley & Company Wealth Management LLC](#)

[Hilltop Securities Inc. and Hilltop Securities Independent Network Inc.](#)

[IC Advisory Services Inc.](#)

[Independent Financial Group LLC](#)

[Investment Partners Ltd.](#)

[IPG Investment Advisors LLC](#)

[Michigan Advisors Inc.](#)

[Saxony Capital Management LLC](#)

[Wedbush Securities Inc.](#)

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