UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 6908 / August 15, 2025

ADMINISTRATIVE PROCEEDING
File No. 3-22511

In the Matter of **TZP MANAGEMENT ASSOCIATES, LLC,** **Respondent.**	**ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO 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 Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 ("Advisers Act") against TZP Management Associates, LLC ("TZP" 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 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 finds[1] that:

Summary

1. These proceedings arise out of breaches of fiduciary duty by TZP, a registered investment adviser, regarding management fee calculation practices for its private fund clients related to compensation TZP received from portfolio companies. TZP advises private funds that focus on investing in lower-middle market companies that provide technology services, business services, and consumer products in the United States and Canada, including the nine funds at issue here (each, a "Fund," and collectively, the "Funds").

2. Under each Fund's limited partnership agreement (each, an "LPA," and collectively, the "LPAs"), TZP is entitled to management fees. Each LPA states that TZP also may receive "Transaction Fees"—defined to include all transaction fees, advisory fees, and monitoring fees, among other fees—from portfolio companies, but requires that TZP credit back to each Fund a portion of the Transaction Fees to reduce or offset the management fees the Fund owes to TZP ("fee offset").

3. From October 2018 through November 2023 ("Relevant Period"), TZP engaged in two fee offset calculation practices related to its receipt of Transaction Fees that created conflicts of interest that were not adequately disclosed to the Funds or their limited partners ("LPs") and were inconsistent with the relevant LPAs.

4. *First*, pursuant to management services agreements between TZP and portfolio companies, the payment of Transaction Fees could be deferred either at TZP's sole discretion or because applicable loan covenants prohibited payment. For five portfolio company investments, TZP collected interest on such deferred Transaction Fees but did not include such interest in the corresponding fee offsets. These determinations by TZP resulted in the Funds receiving lower fee offsets than they were otherwise entitled to receive. TZP failed to adequately disclose these arrangements and the resulting conflicts of interest.

5. *Second*, for at least one portfolio company in which multiple Funds invested, when calculating the fee offsets, TZP started with a reduced allocation of Transaction Fees to each Fund. This resulted in lower fee offsets than the Funds were entitled to receive and increasing the management fees retained by TZP.

6. As a result of this conduct, TZP charged the Funds more than $500,000 in excess management fees and violated 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

7. **TZP** is a Delaware limited liability company with its principal office and place of business in New York, New York. TZP has been registered with the Commission as an investment adviser since March 30, 2012. TZP, together with its affiliated relying advisers, provides investment advisory services to private equity funds, including the Funds. On its Form ADV filed in June 2025, TZP reported that it had regulatory assets under management of approximately $2.4 billion.

Other Relevant Entities

8. The **Funds** are **TZP Capital Partners II, LP; TZP Capital Partners II-A (Blocker), LP; TZP Capital Partners III, LP; TZP Capital Partners III-A (Blocker), LP; TZP Small Cap Partners I, LP; TZP Small Cap Partners I-A (Blocker), LP; TZP Small Cap Partners II, LP; TZP Small Cap Partners II-A (Blocker), LP; and TZP Group Investments, LP**. None of the Funds were or are registered with the Commission in any capacity.

Facts

A. Background

9. TZP provides investment advisory services to the Funds both directly and through various relying advisers. TZP and its relying advisers operate as a single advisory business and generally share common owners, officers, partners, and employees. The LPs in the Funds include pension funds, university endowments, a registered investment company, other institutional investors, and high net worth individuals.

10. Each Fund is governed by an LPA setting forth the rights and obligations of LPs. The LPAs contain the operative language for calculating, among other things, the management fees that TZP can charge the Funds. Generally, the LPAs permit TZP to charge each Fund an annual management fee equal to between 1% and 2% of the LPs' total committed capital during the commitment period and between 1% and 2% of invested capital for the remainder of the respective Fund's term, paid quarterly in advance.

11. The LPAs generally provide that TZP "shall have the right to contract for and receive Transaction Fees" and other fees from portfolio companies. The LPAs define Transaction Fees as "all transaction fees, advisory fees, monitoring fees or other similar fees received by [TZP] . . . in respect of services provided to any Portfolio Company, purchaser or seller of any Portfolio Investment as a result of a proposed transaction or investment by the Partnership (net of any unreimbursed Expenses incurred in generating such fees)."

12. The LPAs further provide for a fee offset of the management fees owed by the Funds for 100% of the Transaction Fees received by TZP and its affiliates, subject to certain specific listed exclusions.

13. During the Relevant Period, TZP charged the Funds excess management fees totaling $502,041 as a result of two fee offset calculation practices that were not adequately disclosed to the Funds and their respective LPs and were inconsistent with the LPAs.

B. TZP Failed to Adequately Disclose Its Practices Regarding the Receipt of Interest on Deferred Transaction Fees and the Resulting Conflicts of Interest.

14. During the Relevant Period, TZP entered into management services agreements directly with many of the Funds' portfolio companies. These management services agreements obligated the portfolio companies to pay Transaction Fees to TZP for certain services that TZP provided. The management services agreements also typically provided that payment of the Transaction Fees would be deferred if: (i) TZP, in its sole discretion, elected to defer payment of the fees; or (ii) loan covenants applicable to the portfolio company required deferral of the fees. The management services agreements also typically permitted TZP to charge interest on Transaction Fees during the deferral period at an annual rate of 8%.

15. Certain LPs that were also co-investors in portfolio companies received copies of certain of these management services agreements.

16. On multiple occasions during the Relevant Period, to increase the cash flow at portfolio companies, payment of Transaction Fees was deferred, either at TZP's discretion or because the applicable loan covenants required it. TZP did not adequately disclose that it could collect interest on those deferred Transaction Fees. TZP also did not adequately disclose that this discretion created a conflict of interest.

17. When the payment of Transaction Fees was deferred, the management fees TZP received during the deferral period were higher because those fees were not offset by the deferred Transaction Fees.

18. Pursuant to the management services agreements, which were entered into by TZP and the portfolio companies and to which the Funds were not parties, TZP could charge interest to portfolio companies on deferred Transaction Fees during the deferral period.

19. When, in certain cases, TZP later received the deferred Transaction Fees and interest payments, it included the Transaction Fees but not the interest payments in the relevant Funds' fee offsets. Because the Funds were required to pay management fees to TZP during these deferral periods with no fee offset increase for the interest payments TZP later collected, this effectively resulted in interest-free loans from the Funds to TZP.

20. During the Relevant Period, TZP collected interest on deferred Transaction Fees for five portfolio company investments. TZP did not adequately disclose this practice or the resulting conflict of interest. For example, TZP did not disclose to LPs either that it collected this interest or that it did not include this interest in the corresponding fee offsets. TZP also did not seek to mitigate this conflict of interest by including the interest payments it received in the relevant Funds' fee offsets.

21. The LPAs do contain provisions that describe what types of compensation or revenue TZP may exclude from the fee offset, but interest on deferred Transaction Fees is not listed among the exclusions.

22. During the Relevant Period, TZP collected $701,522 in interest on deferred Transaction Fees for five portfolio company investments, of which $423,065 should have been allocated to increase the relevant Funds' fee offsets under the LPAs.

C. TZP Improperly Duplicated Transaction Fee Reductions When Calculating Certain Fee Offsets.

23. When more than one Fund invested in the same portfolio company, the LPAs governed how Transaction Fees were to be allocated among the Funds for purposes of calculating the Funds' respective fee offsets.

24. The LPAs provided that each Fund's fee offset would be calculated based on all Transaction Fees that TZP received from a portfolio company. Specifically, the LPAs defined Transaction Fees to include "all transaction fees, advisory fees, monitoring fees or other similar fees **received by the Investment Manager, the General Partner or their respective Affiliates** or any officer, director, employee, manager, member, partner or shareholder of any of the foregoing" (emphasis added).

25. The LPAs further provided that each Fund's allocation of these Transaction Fees would be reduced to account for other Funds' and co-investors' fully diluted equity ownership of the portfolio company.

26. For at least one portfolio company in which multiple Funds invested, TZP initially allocated to each Fund a portion of the Transaction Fees received based on each Fund's pro rata share of the total amount of capital the Funds had invested, instead of allocating "all" Transaction Fees received by TZP. TZP then reduced each Fund's allocation *a second time* based on each Fund's fully diluted equity ownership of the portfolio company.

27. This calculation was inconsistent with the LPAs, amounted to improper double counting, and had the effect of lowering each Fund's fee offset.

28. As a result of this Transaction Fee allocation practice, TZP received $78,976 in excess management fees. TZP did not disclose this allocation practice or the conflicts of interest it created to the relevant Funds or their respective LPs.

Violation

29. As a result of the conduct described above, TZP willfully[2] violated Section 206(2) of the Advisers Act, which prohibits an investment adviser from engaging in any transaction,

---

[2] "Willfully," for purposes of imposing relief under Section 203(e) 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)

practice or course of business that operates as a fraud or deceit upon a client or prospective client. Scienter is not required to establish a violation of Section 206(2), which 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)).

Disgorgement and Civil Penalties

30. The disgorgement and prejudgment interest ordered in Paragraph IV.C. is consistent with equitable principles and does not exceed TZP's net profits from its violations and will be distributed to harmed investors to the extent feasible. Upon approval of the distribution final accounting by the Commission, any amounts remaining 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 Securities Exchange Act of 1934 ("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 TZP's Offer.

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

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

B. Respondent TZP is censured.

C. Respondent TZP shall pay disgorgement, prejudgment interest, and a civil monetary penalty totaling $683,877, as follows:

(i) Respondent TZP shall pay disgorgement of $502,041, and prejudgment interest of $6,836, consistent with the provisions of this Subsection C.

(ii) Respondent TZP shall pay a civil penalty of $175,000, consistent with the provisions of this Subsection C.

(iii) Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended, a Fair Fund is created for the penalties, disgorgement, and prejudgment interest described above for distribution to those current and former investors in the Funds that were financially harmed by the practices detailed in Section III during the Relevant Period ("Affected Investors"). Amounts ordered to be paid as civil money penalties pursuant to this Order shall

---

(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).

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.

(iv) Within ten (10) days of the issuance of this Order, Respondent shall deposit $683,877 (the "Fair Fund") into an escrow account at a financial institution not unacceptable to the Commission staff and Respondent shall provide evidence of such deposit in a form acceptable to the Commission staff. The account holding the assets of the Fair Fund shall bear the name and the taxpayer identification number of the Fair Fund. If timely payment into the escrow account is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 [17 C.F.R. § 201.600] and/or 31 U.S.C. § 3717.

(v) Respondent shall be responsible for administering the Fair Fund and may hire a professional at its own cost to assist it in the administration of the distribution. The costs and expenses of administering the Fair Fund, including any such professional services, shall be borne by Respondent and shall not be paid out of the Fair Fund.

(vi) Respondent shall distribute from the Fair Fund to Affected Investors an amount representing the excess management fees it charged to the relevant Funds during the Relevant Period as a result of the practices described above and, from the remaining funds, reasonable interest paid at the Federal short term rate plus three percentage points, compounded quarterly from the year-end of each excess management fee payment through the expected distribution date, pursuant to a disbursement calculation (the "Calculation") that will be submitted to, reviewed, and approved by the Commission staff in accordance with this Subsection C. The Calculation shall be subject to a *de minimis* threshold. No portion of the Fair Fund shall be paid to any Affected Investor account in which Respondent, or any of its current or former officers or directors, has a financial interest.

(vii) Respondent shall, within ninety (90) days from the date of this Order, submit the Calculation to the Commission staff for review and approval. At or around the time of submission of the proposed Calculation to the staff, Respondent shall make itself available, and shall require any third-parties or professionals retained by Respondent to assist in formulating the methodology for its Calculation and/or administration of the distribution to be available, for a conference call with the Commission staff to explain the methodology used in preparing the proposed Calculation and its implementation, and to provide the staff with an opportunity to ask questions. Respondent also shall provide the Commission staff such

additional information and supporting documentation as the Commission staff may request for the purpose of its review. In the event of one or more objections by the Commission staff to Respondent's proposed Calculation or any of its information or supporting documentation, Respondent shall submit a revised Calculation for the review and approval of the Commission staff or additional information or supporting documentation within ten (10) days of the date that the Commission staff notifies Respondent of the objection. The revised Calculation shall be subject to all of the provisions of this Subsection C.

(viii) Respondent shall, within thirty (30) days of the written approval of the Calculation by the Commission staff, submit a payment file (the "Payment File") for review and acceptance by the Commission staff demonstrating the application of the methodology to each Affected Investor. The Payment File should identify, at a minimum, (1) the name of each Affected Investor; (2) the net amount of the payment to be made, less any tax withholding; (3) the amount of any *de minimis* threshold to be applied; and (4) the amount of reasonable interest paid. Respondent shall exclude from the payee file all payments to payees that appear on the U.S. Treasury Department Specially Designated Nationals List.

(ix) Respondent shall disburse all amounts payable to Affected Investors within ninety (90) days of the date the Commission staff accepts the Payment File, unless such time period is extended as provided in Paragraph (xiii) of this Subsection C. Respondent shall notify the Commission staff of the date and the amount paid in the initial distribution.

(x) If Respondent is unable to distribute or return any portion of the Fair Fund for any reason, including an inability to locate an Affected Investor or a beneficial owner of an Affected Investor or any other factors beyond Respondent's control, Respondent shall transfer any such undistributed funds to the Commission for transmittal to the United States Treasury in accordance with Exchange Act Section 21F(g)(3) once the distribution of funds is complete and before the final accounting provided for in Paragraph (xii) of this Subsection C is submitted to the Commission staff. Payment must be made in one of the following ways:

a. Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

b. 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

c. 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 TZP 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 Lee A. Greenwood, Assistant Director, Asset Management Unit, Division of Enforcement, Securities and Exchange Commission, 100 Pearl Street, Suite 20-100, New York, NY 10004 or such other person or address as the Commission staff may provide.

(xi) A Fair Fund is a Qualified Settlement Fund ("QSF") under Section 468B(g) of the Internal Revenue Code, 26 U.S.C. §§ 1.468B.1- 1.468B.5. Respondent agrees to be responsible for all tax compliance responsibilities associated with the Fair Fund's status as a QSF. These responsibilities involve reporting and paying requirements of the Fair Fund, including but not limited to: (1) tax returns for the Fair Fund; (2) information return reporting regarding the payments to Affected Investors, as required by applicable codes and regulations; and (3) obligations resulting from compliance with the Foreign Account Tax Compliance Act. Respondent may retain any professional services necessary. The costs and expenses of tax compliance, including any such professional services, shall be borne by Respondent and shall not be paid out of the Fair Fund.

(xii) Within one hundred fifty (150) days after Respondent completes the disbursement of all amounts payable to Affected Investors, Respondent shall return all undisbursed funds to the Commission pursuant to the instructions set forth in this Subsection C. Respondent shall then submit to the Commission staff a final accounting and certification of the disposition of the Fair Fund for Commission approval, which final accounting and certification shall include, but not be limited to: (1) the amount paid to each payee, with the reasonable interest amount, if any, reported separately; (2) the date of each payment; (3) the check number or other identifier of the money transferred; (4) the amount of any returned payment and the date received; (5) a description of the efforts to locate a prospective payee whose payment was returned or to whom payment was not made for any reason; (6) the total amount, if any, to be forwarded to the Commission for transfer to the United States Treasury; and (7) an affirmation that Respondent has made payments from the Fair Fund to Affected Investors in accordance with the Calculation approved by the Commission staff. The final accounting and certification shall be submitted under a cover letter that identifies Respondent and the file number of these proceedings to Lee A. Greenwood, Assistant Director, Asset Management Unit, Division of Enforcement, Securities and Exchange Commission, 100 Pearl Street, Suite 20-100, New York, NY, 10004, or such other person or address as the Commission staff may provide. Respondent shall provide any and all supporting documentation for the accounting and certification to the Commission staff upon its request and shall cooperate with any additional requests by the Commission staff in connection with the accounting and certification.

(xiii) The Commission staff may extend any of the procedural dates set forth in this Subsection C for good cause shown. Deadlines for dates relating to the Fair Fund shall be counted in calendar days, except if the last day falls on a weekend or federal holiday, the next business day shall be considered the last day.

By the Commission.

Vanessa A. Countryman
Secretary