

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 101063 / September 17, 2024

INVESTMENT ADVISERS ACT OF 1940
Release No. 6707 / September 17, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-22140

In the Matter of

**TRAPHAGEN
INVESTMENT
ADVISORS, LLC**

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-
AND-DESIST PROCEEDINGS,
PURSUANT TO SECTION 21C OF
THE SECURITIES EXCHANGE
ACT OF 1934 AND SECTION 203(e)
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 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(e) of the Investment Advisers Act of 1940 (“Advisers Act”), against Traphagen Investment Advisors, LLC (“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 21C of the Securities Exchange Act of 1934 and Section 203(e) 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 that:

Summary

From at least December 2019 through the present, Respondent, a registered investment adviser, has had investment discretion over at least \$100 million of reportable securities and was therefore obligated to file quarterly Forms 13F beginning by at least February 2020. However, Respondent failed to file Forms 13F until May 2024.

Respondent

1. Respondent, an investment adviser registered with the Commission and an “institutional investment manager” as defined in Section 13(f) of the Exchange Act, is a New Jersey limited liability company with its principal place of business in Oradell, New Jersey. Respondent offers comprehensive financial services, including investment advisor services and retirement plan services. As of February 28, 2024, Respondent had total regulatory assets under management of \$1.5 billion.

Background

2. Section 13(f)(1) of the Exchange Act and Rule 13f-1 thereunder require that institutional investment managers file Forms 13F with the Commission on a quarterly basis if they exercise investment discretion over “Section 13(f) Securities” having an aggregate fair market value of at least \$100 million. Section 13(f) Securities are equity securities of a class described in Rule 13f-1(c) under the Exchange Act. A list of these securities - called the Official List of Section 13(f) Securities - is available on the Commission’s website.¹ The Official List of Section 13(f) Securities primarily includes U.S. exchange-traded stocks (*e.g.*, NYSE, AMEX, NASDAQ), shares of closed-end investment companies, and shares of exchange-traded funds (ETFs). Certain convertible debt securities, equity options, and warrants are on the Official List. Pursuant to Rule 13f-1(b), an investment manager is deemed to exercise discretion over all accounts for which any person or entity under the control of the investment manager exercises investment discretion. Form 13F requires such institutional investment managers, among other things, to disclose to the Commission the fair market value of its Section 13(f) Securities under management. Forms 13F filed with the Commission are available to the public on the Commission’s website.

3. One Congressional purpose in enacting Section 13(f)(1) of the Exchange Act was to create “a central depository of historical and current data about the investment activities of institutional investment managers” to assist investors and government regulators. S. Rep. No. 94-75, 94th Cong., 2d Sess. 82-85 (1975).

¹ <https://www.sec.gov/divisions/investment/13flists.htm>.

Facts

4. Beginning on the last trading day of December 2019, Respondent exercised investment discretion over Section 13(f) Securities with a fair market value of at least \$100 million.

5. Because Respondent exercised investment discretion over at least \$100 million worth of Section 13(f) Securities on the last trading day of at least one month in 2019, Respondent was obligated to disclose its 2019 year-end holdings of Section 13(f) Securities by filing a Form 13F with the Commission within 45 days of December 31, 2019.

6. Subsequently, Respondent's holdings of Section 13(f) Securities continued to be at least \$100 million. Thus, from at least February 2020 until the present, Respondent has had an obligation to file Forms 13F on a quarterly basis. Respondent, however, failed to file any Forms 13F prior to May 2024.

7. On May 15, 2024, Respondent filed its first Form 13F, for the quarter ending March 31, 2024. That filing showed that, as of March 31, 2024, Respondent held positions in 175 different Section 13(f) Securities, with a total market value of approximately \$938 million.

8. In June 2024, Respondent filed 20 Forms 13F, which covered the period from the quarter ending March 31, 2019, to the quarter ending December 31, 2023, inclusive.

Violations

9. As a result of the conduct described above, Respondent willfully² violated Section 13(f)(1) of the Exchange Act and Rule 13f-1 thereunder by failing to file Forms 13F from the quarter ending December 31, 2019, to the quarter ending December 31, 2023.

Respondent's Remedial Efforts

In determining to accept the Offer, the Commission considered certain remedial acts promptly undertaken by the Respondent.

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) (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).

IV.

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

Accordingly, pursuant to Section 21C of the Exchange Act and Section 203(e) of the Advisers Act, it is hereby ORDERED that:

A. Respondent cease and desist from committing or causing any violations and any future violations of Section 13(f)(1) of the Exchange Act and Rule 13f-1 promulgated thereunder.

B. Respondent is censured.

C. Respondent shall, within 30 days of the entry of this Order, pay a civil money penalty in the amount of \$225,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional 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 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 6
500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Traphagen Investment Advisors, LLC 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 Nicholas Heinke, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, 1961 Stout Street, Suite 1700, Denver, CO 80294.

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