

ADMINISTRATIVE PROCEEDING
File No. 3-18263

SEC: San Francisco Software Company and Founder Settle Charges of Misleading Investors About Business

Washington D.C., October 26, 2017 – A San Francisco-based software company whose insurance business has accounted for 90 percent of its revenues has agreed to settle SEC charges that it misled investors in a pair of private offerings by making false statements about whether its employees were properly licensed to sell insurance.

The founder of Zenefits FTW Insurance Services, former CEO Parker Conrad, also agreed to a settlement.

According to the SEC's order, Zenefits provides a cloud-based platform for small and mid-sized businesses to manage human resource functions, including the purchase of employee health insurance policies. Although Zenefits recognized that it operated in a highly regulated industry, it did not take sufficient steps to ensure its growing workforce was properly licensed to sell insurance. Unbeknownst to investors, the company allowed employees to use a computer script created by Conrad to enable them to spend less time on pre-licensing education than required by California law. Zenefits also allowed employees to sell insurance before they had taken and passed their licensing exams, and permitted some employees licensed in one state to sell insurance in other states where they weren't licensed.

Zenefits and Conrad consented to the SEC's order without admitting or denying the findings that they violated the federal securities laws. Zenefits agreed to pay a \$450,000 penalty, and Conrad agreed to pay \$350,000 in disgorgement plus \$23,692.39 in interest and a \$160,000 penalty for a total of \$533,692.

The SEC's investigation was conducted by Rebecca Lubens and Tracy Davis of the San Francisco office.

See also: [Order](#)