

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

In the Matter of : INITIAL DECISION MAKING FINDINGS AND
: IMPOSING SANCTION BY DEFAULT
MARK F. SPANGLER : June 24, 2014

APPEARANCES: Robert L. Tashjian for the Division of Enforcement,
Securities and Exchange Commission

John R. Carpenter for Respondent Mark F. Spangler

BEFORE: Carol Fox Foelak, Administrative Law Judge

SUMMARY

This Initial Decision bars Mark F. Spangler (Spangler) from the securities industry.

I. BACKGROUND

The Securities and Exchange Commission (Commission) instituted this proceeding, pursuant to Section 203(f) of the Investment Advisers Act of 1940 (Advisers Act), with an Order Instituting Proceedings (OIP) on May 9, 2014. The proceeding is a follow-on proceeding based on United States v. Spangler, No. 2:12-cr-133 (W.D. Wash. Mar. 13, 2014), appeal docketed, No. 14-30042 (9th Cir. Mar. 17, 2014). Spangler's Answer to the OIP was due on June 20, 2014. Mark F. Spangler, Admin. Proc. Release No. 1476, 2014 SEC LEXIS 1855 (A.L.J. May 30, 2014). Spangler has not filed an Answer to date and has affirmatively declined to defend the proceeding. Accordingly, he has failed to answer or otherwise to defend the proceeding within the meaning of 17 C.F.R. § 201.155(a)(2). Therefore, Spangler is in default, and the undersigned finds that the allegations in the OIP are true as to him.¹ See OIP at 3; 17 C.F.R. §§ 201.155(a), .220(f).

¹ Spangler was advised that if he failed to file an Answer within the time provided, he would be deemed to be in default, and the undersigned would enter an order barring him from the securities industry. See Mark F. Spangler, Admin. Proc. Release No. 1449, 2014 SEC LEXIS 1750 (A.L.J. May 22, 2014).

II. FINDINGS OF FACT

Spangler was convicted of wire fraud, money laundering, and investment adviser fraud; he was sentenced to 192 months of incarceration and a three-year term of post-release supervision and ordered to pay \$19,881,461.04 in restitution. United States v. Spangler, No. 2:12-cr-133 (W.D. Wash. Mar. 13, 2104), appeal docketed, No. 14-30042 (9th Cir. Mar. 17, 2014).

Spangler, 58, was the president of The Spangler Group, Inc., an investment adviser registered with the Commission since 1990. In the conduct underlying his conviction, Spangler: (a) falsely represented to investors and his advisory clients that substantially all of their investments that he managed on their behalf were placed in investment funds that invested in securities traded on public markets; (b) provided investors with false account statements that supported his representations that their funds were substantially invested in investment funds that invested in securities that traded on public markets and that their investments were generating a reasonable rate of return; and (c) between 2003 and 2011, fraudulently concealed the fact that he diverted more than \$46 million of investor funds to two privately held companies that he managed.

III. CONCLUSIONS OF LAW

Spangler has been convicted within ten years of the commencement of this proceeding of a felony that “arises out of the conduct of the business of a[n] . . . investment adviser” and “involves the violation of section . . . 1343 . . . of title 18, United States Code” within the meaning of Sections 203(e)(2)(B), (D) and 203(f) of the Advisers Act.

IV. SANCTION

Spangler will be barred from the securities industry. This sanction will serve the public interest and the protection of investors, pursuant to Section 203(f) of the Advisers Act, and accords with Commission precedent and the sanction considerations set forth in Steadman v. SEC, 603 F.2d 1126, 1140 (5th Cir. 1979). As described in the Findings of Fact, Spangler’s unlawful conduct was recurring and egregious and involved a high degree of scienter; extending over a period of several years, Spangler’s scheme resulted in the misappropriation of tens of millions of dollars. There is a reasonable foreseeable risk that, if he were allowed to resume his former business activities, he would engage in similar criminal conduct. Because of the Commission’s obligation to ensure honest securities markets, an industry-wide bar is appropriate.

V. ORDER

IT IS ORDERED that, pursuant to Section 203(f) of the Investment Advisers Act of 1940, 15 U.S.C. § 80b-3(f), MARK F. SPANGLER IS BARRED from associating with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

This Initial Decision shall become effective in accordance with and subject to the provisions of Rule 360 of the Commission's Rules of Practice, 17 C.F.R. § 201.360. Pursuant to that Rule, a party may file a petition for review of this Initial Decision within twenty-one days after service of the Initial Decision. A party may also file a motion to correct a manifest error of fact within ten days of the Initial Decision, pursuant to Rule 111 of the Commission's Rules of Practice, 17 C.F.R. § 201.111. If a motion to correct a manifest error of fact is filed by a party, then that party shall have twenty-one days to file a petition for review from the date of the undersigned's order resolving such motion to correct a manifest error of fact. The Initial Decision will not become final until the Commission enters an order of finality. The Commission will enter an order of finality unless a party files a petition for review or a motion to correct a manifest error of fact or the Commission determines on its own initiative to review the Initial Decision as to a party. If any of these events occur, the Initial Decision shall not become final as to that party.²

Carol Fox Foelak
Administrative Law Judge

² A respondent may also file a motion to set aside a default pursuant to 17 C.F.R. § 201.155(b). See Alchemy Ventures, Inc., Exchange Act Release No. 70708, 2013 SEC LEXIS 3459, at *13-14 & n.28 (Oct. 17, 2013).