

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 69348 / April 8, 2013

INVESTMENT ADVISERS ACT OF 1940
Release No. 3579 / April 8, 2013

INVESTMENT COMPANY ACT OF 1940
Release No. 30453 / April 8, 2013

ADMINISTRATIVE PROCEEDING
File No. 3-15268

In the Matter of

RICHARD P. SANDRU,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-AND-
DESIST PROCEEDINGS PURSUANT
TO SECTIONS 15(b) AND 21C OF THE
SECURITIES EXCHANGE ACT OF
1934, SECTIONS 203(f) AND 203(k) OF
THE INVESTMENT ADVISERS ACT
OF 1940, AND SECTION 9(b) OF THE
INVESTMENT COMPANY ACT OF
1940**

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 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), Sections 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Richard P. Sandru (“Respondent” or “Sandru”).

II.

After an investigation, the Division of Enforcement alleges that:

A. SUMMARY

1. This matter involves a fraudulent scheme to misappropriate investment advisory client funds. From at least December 2009 through March 2011 (the

“relevant period”), while associated with an investment adviser and broker-dealer registered with the Commission, Sandru misappropriated at least \$308,850 in purported “financial planning fees” from at least 47 advisory clients. During the relevant period, Sandru also made oral and written misrepresentations regarding client account values to certain clients to conceal their diminishing account values and induce them to allow him to continue to purchase and sell securities in their accounts and receive advisory fees from their dwindling account balances.

B. RESPONDENT

2. Sandru, age 42, resides in Fort Myers, Florida. From July 1, 2009 until April 29, 2011, Sandru was an investment adviser representative associated with Cambridge Investment Research Advisors, Inc. (“Cambridge IA”), an investment adviser registered with the Commission, and a registered representative associated with Cambridge Investment Research, Inc. (“Cambridge BD”), a broker-dealer registered with the Commission (collectively, “Cambridge”). Before that, from September 20, 2002 until June 29, 2009, Sandru was an investment adviser representative and a registered representative associated with another registered investment adviser and broker-dealer.

C. OTHER RELEVANT ENTITIES

3. Cambridge IA, an Iowa corporation with its principal place of business in Fairfield, Iowa, has been registered with the Commission as an investment adviser since February 3, 2005. Sandru was an investment adviser representative associated with Cambridge IA from July 1, 2009 until April 29, 2011, and worked in the Perrysburg, Ohio branch office.

4. Cambridge BD, an Iowa corporation with its principal place of business in Fairfield, Iowa, has been registered with the Commission as a broker-dealer since December 11, 1995. Sandru was a registered representative associated with Cambridge BD from July 1, 2009 until April 29, 2011, and worked in the Perrysburg, Ohio branch office.

D. BACKGROUND

5. Sandru joined Cambridge on July 1, 2009. While at Cambridge, Sandru was a principal of a Cambridge OSJ and conducted business under the name Sandru Financial Group Ltd. (“Sandru Financial”) and also Reizen Wealth Management LLC (“Reizen”). He supervised two other Cambridge representatives along with various administrative assistants.

6. By the time Sandru left Cambridge at the end of April 2011, he was managing approximately \$47 million in assets for about 180 advisory clients who collectively held about 480 accounts. These accounts were discretionary, and funds were maintained in custodial accounts by a custodian.

E. SANDRU MISAPPROPRIATED FINANCIAL PLANNING FEES FROM CAMBRIDGE ADVISORY CLIENTS

7. From at least December 2009 through March 2011, while associated with Cambridge IA, Sandru misappropriated at least \$308,850 in purported “financial planning” fees from at least 47 advisory clients, by forging their signatures on or adding costs to Financial Planning Engagement agreements (“FPEs”) after the clients had already signed them and without his clients’ knowledge or authorization. In all cases, Sandru failed to provide the financial planning services described in the FPEs.

8. After Sandru either obtained or forged his clients’ signatures on the FPEs, he faxed or sent the FPEs to Cambridge through the Cambridge Logistics and Information Center (“CLIC”), thereby causing Cambridge’s corporate accounting office to debit financial planning fees from the client’s account. Cambridge then paid Sandru 91% of these financial planning fees as part of his compensation by electronically transferring the funds to Sandru’s account by direct deposit. Sandru received approximately \$280,000 in fraudulently obtained financial planning fees.

9. During the relevant period, the fees charged to clients for the purported financial planning services ranged from \$500 to \$5,000 per FPE. At least 107 fraudulent FPEs were submitted to Cambridge by Sandru. Several clients were charged four or five times over several months for unauthorized and unperformed financial planning services.

F. SANDRU MADE ORAL AND WRITTEN MISREPRESENTATIONS REGARDING CLIENT ACCOUNT VALUES

10. While at Cambridge, Sandru also made oral and written misrepresentations regarding client account values to certain clients to conceal their diminishing account values and induce them to allow him to continue to purchase and sell securities in their accounts and receive advisory fees from their dwindling account balances.

11. Beginning in at least 2008, while he was associated with another registered investment adviser and broker-dealer, Sandru lost money through his trading in several client accounts. Sandru had told some of these clients, several of whom were elderly and/or retired, that they would be able to take substantial monthly withdrawals from their accounts for the rest of their lives or at least for many years.

12. Many of these clients followed Sandru to Cambridge. While at Cambridge, to conceal his losses and the clients’ inability to take the large monthly withdrawals that he had recommended, Sandru orally and in writing falsely represented to at least six clients that the amounts reflected on their monthly statements from Cambridge were inaccurate and/or that they had other separate or “guaranteed” accounts that contained additional funds.

13. Sandru made these misrepresentations in order to induce his clients to allow him to continue to purchase and sell securities in their accounts and receive advisory fees from their dwindling account balances. He also wanted to preserve his relationship with these clients, many of whom had friends or relatives who were also clients.

14. Based on the inflated account values provided by Sandru, the clients continued to allow Sandru to manage their accounts, and he incurred additional losses through his trading. The clients also continued taking large monthly withdrawals, which further depleted their accounts.

15. Sandru sold securities, including money market funds, in his clients' accounts to cover the large monthly withdrawals that he had previously recommended. When certain clients' funds were completely exhausted, Sandru went as far as to pay their monthly distributions out of his own pocket in order to prevent his scheme from being discovered.

16. By the time that Sandru's scheme was discovered, these clients had little, if anything, left in their accounts. However, before that time, Sandru had collected advisory fees from their dwindling funds.

17. In addition to the \$280,000 in fraudulently obtained purported financial planning fees, Sandru also collected approximately \$127,000 in ill-gotten advisory fees from the defrauded clients from the time that he began misappropriating financial planning fees from and/or providing false account information to these defrauded clients

G. VIOLATIONS

18. As a result of the conduct described above, Sandru willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

19. As a result of the conduct described above, Sandru willfully violated, or, in the alternative, willfully aided and abetted and caused Cambridge IA's violations of, Sections 206(1) and 206(2) of the Advisers Act, which prohibit fraudulent conduct by an investment adviser.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act including, but not limited to, disgorgement and civil penalties pursuant to Section 21B of the Exchange Act;

C. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act including, but not limited to, disgorgement and civil penalties pursuant to Section 203 of the Advisers Act;

D. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 9(b) of the Investment Company Act including, but not limited to, disgorgement and civil penalties pursuant to Section 9 of the Investment Company Act; and

E. Whether, pursuant to Section 21C of the Exchange Act and Section 203(k) of the Advisers Act, Respondent should be ordered to cease and desist from committing or causing violations of and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act, whether Respondent should be ordered to pay a civil penalty pursuant to Section 21B(a) of the Exchange Act, Section 203(i) of the Advisers Act, and Section 9(d) of the Investment Company Act, and whether Respondent should be ordered to pay disgorgement pursuant to Sections 21B(e) and 21C(e) of the Exchange Act, Section 203 of the Advisers Act, and Section 9 of the Investment Company Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Elizabeth M. Murphy
Secretary