

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 67205 / June 14, 2012

ADMINISTRATIVE PROCEEDING
File No. 3-14919

In the Matter of

GARRETT D. BAUER,

Respondent.

ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Garrett D. Bauer (“Bauer” 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, Respondent consents to the Commission’s jurisdiction over him and the subject matter of these proceedings and to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. Bauer, age 44, is a resident of New York, New York. From June 2009 to August 16, 2010, Bauer was a trader at Lighthouse Financial Group, LLC, which was a registered broker-dealer. On August 16, 2010, Lighthouse Financial Group, LLC was deregistered. From September 2008 to December 2009, Bauer traded at Jag Trading, LLC and from April 2001 to September 2008 he was a trader at RBC Professional Trader Group, LLC (which changed its name to G-2 Trading, LLC in October 2009), both of which are registered broker-dealers. From October 1991 to January 1994, Bauer was employed at Weiss Peck & Greer, which was a registered broker-dealer. Bauer is not currently associated with a broker-dealer. At the time the insider trading scheme described below was active, Bauer was associated with broker-dealers. Bauer has held a Series 7 securities license.

2. On May 1, 2012, a final judgment was entered by consent against Bauer, permanently enjoining him from future violations of Sections 10(b) and 14(e) of the Exchange Act and Rules 10b-5 and 14e-3 thereunder, in the civil action entitled Securities and Exchange Commission v. Garrett D. Bauer, et al., Civil Action Number 2:11-cv-01936, in the United States District Court for the District of New Jersey. Bauer was ordered to pay \$30,812,796 in disgorgement of ill-gotten gains representing profits gained as a result of the fraudulent conduct alleged in the Commission's complaint, which is partially satisfied and offset, on a dollar-for-dollar basis, by a Final Order of Forfeiture entered in a criminal matter brought in the District of New Jersey under Criminal Action No. 11-842 (KSH) for the following assets: i) \$23,200 in cash; ii) \$20,960,741 from bank and brokerage accounts; and iii) the net proceeds from the sale of two pieces of real property that were seized at the direction of the United States Attorney's Office for the District of New Jersey. In addition, Bauer was ordered to pay \$859,135 in prejudgment interest.

3. The Commission's complaint alleged that Bauer engaged in a long-standing serial insider trading scheme along with two others: Matthew H. Kluger ("Kluger"), a lawyer who over the course of several years repeatedly accessed material nonpublic information about pending mergers and acquisitions from the computer system of his former employer, Wilson Sonsini Goodrich & Rosati ("Wilson Sonsini") and Kenneth T. Robinson ("Robinson"), identified in the complaint only as the "middle man", who was Kluger's friend and who passed along the information to Bauer (and later traded on it himself in two instances). From at least April 2006 through February 2011, based on nonpublic information that Kluger obtained from Wilson Sonsini, Bauer traded in advance of at least nine pending mergers and acquisitions involving companies that were advised by Wilson Sonsini, and realized over \$30 million in ill-gotten gains.

4. On December 8, 2011, Bauer pled guilty to conspiracy to commit securities fraud [18 U.S.C. § 371], securities fraud [15 U.S.C. § 78j(b) and 78ff(a) and 17 C.F.R. § 240.10b-5], conspiracy to commit money laundering [18 U.S.C. § 1956(h)], and obstruction of justice [18 U.S.C. § 1512(c)(2)] before the United States District Court for the District of New Jersey, in United States v. Garrett D. Bauer, No. 2:11-cr-00842.

5. In pleading guilty, Bauer admitted that, among other things, between 1994 to 2011 he engaged in numerous instances of buying and selling securities based on inside information that Kluger had obtained from his employment at various law firms, knowing that Kluger had misappropriated that information from his law firms. Bauer also admitted that he would typically purchase shares in his trading accounts for himself, Kluger, and Robinson, and then would withdraw cash from ATMs and give Robinson his proceeds and Kluger's proceeds with the understanding that Robinson would give Kluger his share. Bauer also admitted that he made these payments in cash in an effort to conceal and disguise the nature, location, source, ownership or control of proceeds from the insider trading scheme. Bauer admitted that in undertaking these actions, he acted knowingly, willfully, and with the intent to defraud.

IV.

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

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act that Respondent Bauer be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Elizabeth M. Murphy
Secretary