

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 77528 / April 5, 2016**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 4362 / April 5, 2016**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-17196**

**In the Matter of**

**ALEXANDER R. BASTRON**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE PROCEEDINGS, PURSUANT TO SECTION 15(b) OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 203(f) OF THE INVESTMENT ADVISERS ACT OF 1940, 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") and Section 203(f) of the Investment Advisers Act of 1940 ("Advisers Act"), against Alexander R. Bastron ("Respondent" or "Bastron").

**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 him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940, 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<sup>1</sup> that:

#### **Summary**

1. This failure to supervise case arises out of a fraudulent scheme by Richard P. Sandru ("Sandru"), the principal of an Office of Supervisory Jurisdiction ("OSJ") of and investment adviser representative associated with Cambridge Investment Research Advisors, Inc. ("CIRA"), to misappropriate investment advisory client funds. From at least December 2009 through March 2011, Sandru misappropriated at least \$308,850 in purported financial planning fees from at least 47 advisory clients.<sup>2</sup> Bastron was a Regional Director at CIRA and was Sandru's direct supervisor from approximately December 2009 through early June 2010. From March 2010 to June 2010, Bastron failed reasonably to supervise Sandru with a view to preventing his violations of the federal securities laws by failing to implement a heightened supervision plan for Sandru.

#### **Respondent**

2. Alexander R. Bastron, age 32, resides in Lakewood, Colorado. Bastron was a Regional Director at CIRA from November 2009 until February 2014. As a Regional Director, Bastron supervised OSJ supervisors and certain other investment adviser representatives who reported directly to the home office. Bastron was also an associated person of Cambridge Investment Research, Inc., a registered broker-dealer. Bastron currently works in recruiting at CIRA and Cambridge Investment Research, Inc. Bastron supervised Sandru from approximately December 2009 through early June 2010.

#### **Sandru's Violations of the Federal Securities Laws**

3. From at least December 2009 through March 2011, while associated with CIRA, Sandru misappropriated at least \$308,850 in purported "financial planning" fees from at least 47 advisory clients. In order to bill clients for financial planning services, CIRA representatives were required to complete and submit to CIRA's Compliance Department a Financial Planning Engagement form ("FPE"). The FPE indicated the type of services to be performed, the fee, and contained certain information about the client, including income and net worth. Sandru misappropriated the fees by forging the clients' signatures on or adding costs to the FPEs after the clients had already signed them and without his clients' knowledge or authorization. Sandru failed to provide the financial planning services described in the FPEs.

4. After Sandru either obtained or forged his clients' signatures on the FPEs, he faxed or sent the FPEs to CIRA. After the FPEs were reviewed and approved by CIRA's Compliance department, CIRA's corporate accounting office debited the financial planning fees

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

<sup>2</sup> See *Richard P. Sandru*, Advisers Act Rel. No. 3646 (August 12, 2013).

from the client's account. CIRA then paid Sandru ninety-one percent of these financial planning fees as part of his compensation by directly depositing the funds into Sandru's account.

5. During the relevant period, the fees charged to clients for the purported financial planning services ranged from \$500 to \$5,000 per FPE. Sandru submitted at least 107 fraudulent FPEs to CIRA. Some clients were charged four or five times over several months for unauthorized and unperformed financial planning services. Some clients were charged as much as ten percent of the value of the assets that they held at CIRA as a result of the fraudulent FPEs. Sandru also reversed financial planning fees on numerous occasions, beginning as early as April 2010.

### **Background**

6. Sandru began negotiating to join CIRA in the spring of 2009. In its background check of Sandru, CIRA found that Sandru had poor credit, including a home in foreclosure. For this reason, CIRA's Department of Advocacy and Supervision recommended that the hiring decision be presented to a special committee. CIRA ultimately decided to allow Sandru to associate with CIRA, and he started as a CIRA investment adviser representative on July 1, 2009.

7. Most CIRA investment adviser representatives are located in branch offices and are supervised directly by a field OSJ supervisor. OSJ principals and certain other investment adviser representatives (usually in solo offices), are supervised by Regional Directors in the Home Office. As the principal of a CIRA OSJ, Sandru's direct supervisors were Regional Directors.

8. In October 2009, Sandru's previous broker-dealer filed an amended Form U5 disclosing that Sandru had been terminated for attempting to settle a complaint directly with a customer. Shortly thereafter, CIRA was notified that FINRA was investigating the matter. As a result, CIRA decided to place Sandru on heightened supervision until the FINRA investigation was completed, with the understanding that Sandru would be terminated if he were suspended by FINRA.

9. CIRA's Compliance department drafted a heightened supervision or Protective Documentation Plan ("PDP") for Sandru in November 2009. Compliance sent the PDP to Sandru's first Regional Director and supervisor at CIRA, on November 5, 2009.

10. That Regional Director was supposed to sign the PDP, transmit a copy to Sandru, and return the signed PDP to Compliance. However, that supervisor did not perform these tasks and did not place Sandru under heightened supervision. The PDP was not recorded on the spreadsheet kept by Compliance listing the investment adviser representatives who were on heightened supervision, was not included in CIRA's Customer Relationship Management (CRM) system, and no one at CIRA followed up at that time to determine whether Sandru had been placed on heightened supervision.

### **Bastron's Supervision of Sandru**

11. In December 2009, Bastron was assigned to supervise Sandru. At that time, Bastron was not informed that Sandru had poor credit, had been terminated by his previous broker-dealer for attempting to settle a complaint directly with a customer, was being investigated by FINRA, or was supposed to be under heightened supervision.

12. In February 2010, Bastron learned of the FINRA investigation when the State of Utah demanded that, because of the FINRA investigation, Sandru be put on heightened supervision in order to become licensed in Utah. However, Sandru withdrew his application to become licensed in Utah, and Sandru was not placed on heightened supervision at that time.

13. On March 8, 2010, Compliance reported to Bastron that Compliance had concerns about Sandru's financial planning engagements because Sandru was calling Compliance to get it to "push through" certain FPEs on an expedited basis and also that he was charging between \$2500 and \$5000 for "ongoing portfolio review," which amounts were higher than what was typically seen, and Compliance questioned the reasonableness of the fees. Compliance also informed Bastron about Sandru's credit problems. Later that same day, Compliance suggested that Bastron contact some of Sandru's financial planning clients as part of his heightened supervision of Sandru.

14. After discovering that Sandru was not currently under heightened supervision, on March 10, 2010, Compliance sent Bastron a new PDP. The PDP required Bastron to review and approve each new product application or order; review and approve each new investment adviser client agreement; review all incoming mail and outgoing correspondence weekly; review client account activity monthly; review outside business activities quarterly; contact at least five clients each quarter; review Sandru's credit report, financial statements and personal checking account after six months; and, after six months, prepare a memo regarding the nature and findings of his review for Compliance, which was to be considered along with the status of the FINRA inquiry to help determine the continuation of the PDP.

15. Bastron, however, never signed the PDP, never sent a copy to Sandru, never returned the PDP to Compliance and failed to implement any of the heightened supervisory procedures set forth in the PDP that were not part of his normal supervisory duties. Among other things, Bastron did not contact any of Sandru's clients.

16. On April 21, 2010, Compliance furnished Bastron with the names of sixteen of Sandru's financial planning clients that were the subject of a Compliance review into Sandru's financial planning activities. By April 21, 2010, thirteen of the sixteen clients had already been fraudulently billed by Sandru for financial planning services. Despite being furnished this list of clients, Bastron did not contact any of Sandru's clients. Had Bastron called five of the clients on the list and asked them about the financial planning fees, it is likely that Sandru's fraud would have been discovered at that time.

17. On June 7, 2010, FINRA sent Sandru a letter indicating that its investigation was concluding with no charges. Based on the letter, CIRA decided to terminate the heightened supervision, which, in fact, had never been implemented.

18. Sandru's fraudulent financial planning billing, which began in at least December 2009, continued until March 2011, resulting in client losses of at least \$308,850. During the time that Bastron supervised Sandru, Sandru fraudulently billed 19 clients for \$42,100 in financial planning services.

### **Violations**

19. As a result of the conduct described above, Bastron failed reasonably to supervise Sandru, within the meaning of Section 203(e)(6) of the Advisers Act, with a view to preventing Sandru's violations of Sections 206(1) and 206(2) of the Advisers Act.

### **Undertakings**

20. Bastron undertakes to provide to the Commission within 30 days after the end of the 12-month suspension period described below, an affidavit that he has complied fully with the sanctions described in Section IV below.

## **IV.**

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

Accordingly, pursuant to Section 203(f) of the Advisers Act and Section 15(b) of the Exchange Act, it is hereby ORDERED that:

A. Respondent be, and hereby is, suspended from association with any broker, dealer, investment adviser, municipal securities dealer or transfer agent in any supervisory capacity for a period of twelve months, effective on the second Monday following the entry of this Order.

B. Respondent shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of \$20,000 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). Payments shall be deemed made on the date they are received by the Commission and shall be applied first to interest due, if any, which accrues pursuant to 31 U.S.C. § 3717. Prior to making the final payment set forth herein, Respondent shall contact the staff of the Commission for the amount due for the final payment. If Respondent fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments due hereunder, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application. 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  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Alexander R. Bastron 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 Timothy J. Warren, Associate Regional Director, Chicago Regional Office, Division of Enforcement, Securities and Exchange Commission, 175 W. Jackson Boulevard Suite 900, Chicago, Illinois 60604.

C. 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, he shall not argue that he is entitled to, nor shall he 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 he 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.

D. Respondent shall comply with the undertakings enumerated in Section III above.

By the Commission.

Brent J. Fields  
Secretary