

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 4384 / May 9, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17245

In the Matter of

DAVID BROCHU,

Respondent.

ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO 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 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against David F. Brochu (“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, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings and the findings contained in Section III.2. below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to 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 that:

1. Respondent, 52 years old, is a resident of Wells, Maine. Beginning in June 2010, Respondent was registered as an investment adviser representative with Kleossum, Inc. ("Kleossum"), a registered investment advisory firm that Respondent owned. Kleossum was registered with the Commission from September 2010 until June 2012, and then became registered with the state of New Hampshire. The New Hampshire Bureau of Securities Regulation ("NHBSR") summarily suspended Respondent and Kleossum on June 4, 2014. Respondent was previously registered with another registered investment advisory firm and an affiliated broker-dealer. In 2009, FINRA fined Respondent \$20,000 and suspended him for fifteen business days from association with any FINRA member firm, in connection with selling a private placement offering pursuant to an inaccurate private placement memorandum.

2. On February 17, 2016, the NHBSR entered a consent order against Respondent in an administrative action entitled *David F. Brochu (CRD #1164857)*, INV2014-00020 (the "Consent Order"). NHBSR found that Kleossum was an investment adviser and that Respondent was an investment adviser representative under New Hampshire law. NHBSR found that Respondent violated New Hampshire's statutory prohibition on fraudulent conduct by persons who receive consideration for advising others as to the value of securities or their purchase or sale. The Consent Order (i) required Respondent to permanently cease and desist from further violations of the New Hampshire Uniform Securities Act; (ii) permanently barred Respondent from any securities licensure in any capacity in New Hampshire; (iii) permanently barred Respondent from issuing securities in New Hampshire; (iv) ordered Respondent to pay restitution to investors totaling \$1,365,000; and (v) ordered Respondent to pay a fine of \$100,000 and costs of \$25,000 to NHBSR.

3. In the Consent Order, NHBSR made findings that Respondent sold shares in Kleossum to five individuals, four of whom were Kleossum clients. NHBSR found that Respondent falsely represented to investors that funds would be reinvested in Kleossum and used to grow its business. NHBSR also found that Respondent solicited Kleossum clients to invest in other of Respondent's business ventures – including a family farm, a tree farm, and a firewood business. NHBSR determined that Respondent (i) failed to disclose in writing material conflicts of interest in soliciting advisory clients to invest in his various businesses; (ii) made misrepresentations with respect to the use of investment funds; (iii) misappropriated investor funds; (iv) withdrew investor funds in cash with little or no accounting for the intended purpose; (v) made misrepresentations regarding the viability, business dealings, and projected revenues of his various enterprises; (vi) made unsuitable investment recommendations; and (vii) unlawfully borrowed funds from advisory clients. In total, NHBSR found that Respondent defrauded twenty-two investors of \$1,365,000.

IV.

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

Accordingly, it is hereby ORDERED pursuant to Section 203(f) of the Advisers Act, that Respondent Brochu 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.

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.

Brent J. Fields
Secretary