

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 90508 / November 24, 2020

INVESTMENT ADVISERS ACT OF 1940
Release No. 5634 / November 24, 2020

ADMINISTRATIVE PROCEEDING
File No. 3-20156

In the Matter of

CRAIG RUMBAUGH,

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 Craig Rumbaugh (“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 over 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 15(b) of the Securities Exchange Act of 1934, 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, age 51, resides in Indian Wells, California, and is the sole owner and operator of Rumbaugh Financial, Inc. and Desert Strategic Equity.

2. On November 20, 2020, a judgment was entered by consent against Respondent, permanently enjoining him from future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 (“Securities Act”), Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) & (2) of the Investment Advisers Act of 1940, in the civil action entitled Securities and Exchange Commission v. Craig Rumbaugh, et al., Civil Action Number 5:19-cv-01517 PSG (SPx), in the United States District Court for the Central District of California.

3. The Commission’s complaint alleged that Respondent, and two companies he owns and controls Rumbaugh Financial Inc. (“RFI”), a California-registered investment adviser, and Desert Strategic Equity (“DSE”), defrauded RFI’s advisory clients by misleading them about the terms of their investments, while failing to disclose Respondent’s self-dealing and receipt of commissions in connection with those investments. In doing so, Rumbaugh and RFI offered and sold securities in unregistered offerings and, with DSE’s substantial assistance, also acted as unregistered broker-dealers. Rumbaugh advised clients to invest in promissory notes offered by Susan Werth who, unbeknownst to Rumbaugh, was operating a Ponzi scheme. Werth’s fraudulent offering was the subject of an emergency, civil injunctive action brought by the SEC against Werth and her companies in 2018, and a subsequent federal criminal action where she pled guilty to wire fraud and other charges and was sentenced to 70 months’ imprisonment and ordered to pay \$6,290,510 in restitution. From August 2015 to June 2016, Rumbaugh persuaded eight clients to invest a total of over \$3 million with Werth’s companies, three of whom lost a total of more than \$350,000 when her Ponzi scheme failed. Rumbaugh had no knowledge that Werth was running a Ponzi scheme and did not knowingly participate in Werth’s Ponzi scheme. Werth paid Rumbaugh 5% commissions on all funds raised from his clients, totaling more than \$140,000 in commissions paid during that period. Rumbaugh and RFI failed to disclose those commissions to each of their clients when recommending investments with Werth’s companies. Many times, they also misled clients about the interest rates Werth’s companies were willing to pay, claiming that the companies offered rates in the 5% to 10% range when, in fact, they offered 30% interest or more. In those instances, when Werth’s companies repaid investor funds in full at the true, higher interest rates, Respondent and RFI repaid RFI’s clients at the lower rates, and kept the difference for themselves.

IV.

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

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act and Section 203(f) of the Advisers Act, that Respondent Rumbaugh 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.

with the right to apply for reentry after 5 years to the appropriate self-regulatory organization, or if there is none, to the Commission.

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.

Vanessa A. Countryman
Secretary