

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 6296 / May 2, 2023

ADMINISTRATIVE PROCEEDING
File No. 3-21400

In the Matter of

MICHAEL SZTROM and
DAVID SZTROM,

Respondent.

ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO SECTION
SECTION 203(f) OF THE INVESTMENT
ADVISERS ACT OF 1940 AND NOTICE OF
HEARING

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 Michael Stzrom and David Sztrom (collectively, “Respondents”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENTS

1. Since 1998, Michael Sztrom has been associated with various securities firms and, until late 2015, served as an investment adviser and broker-dealer for a large securities firm (“Securities Firm A”). After leaving Securities Firm A in 2015, he was not associated as an investment adviser representative (“IAR”) with any firm and claimed to work as a certified financial planner at the same time his son, Respondent David Sztrom, was associated with Advanced Practice Advisors, LLC (“APA”), a California limited liability company and an investment adviser registered with the SEC. From June 2016 to December 2018, Michael Sztrom was also the sole owner of Sztrom Capital, which was never operational. Since March 2018,

Michael Sztrom has been associated as an IAR with Integrated Advisors Network, LLC (“Integrated Advisors Network”), an investment adviser registered with the Commission. Michael Sztrom, 69, resides in Rancho Santa Fe, California.

2. From November 2015 until March 2018, David Sztrom was an investment adviser and associated as an IAR with APA. From August 2015 to the present, David Sztrom also was associated with Sztrom Wealth Management, LLC (“SWM”), an unregistered investment adviser. Since April 2018, David Sztrom has been associated as an IAR with Integrated Advisors Network. David Sztrom, 32, resides in Rancho Santa Fe, California.

B. ENTRY OF THE INJUNCTIONS

3. On October 6, 2022, a final judgment was entered by consent against Michael Sztrom, permanently enjoining him from future violations of Section 206 of the Advisers Act, in the civil action entitled Securities and Exchange Commission v. Michael Sztrom, et al., Civil Action Number 3:21-cv-00086-H-RBB, in the United States District Court for the Southern District of California.

4. On October 6, 2022, a final judgment was entered by consent against David Sztrom, permanently enjoining him from future violations of Section 206 of the Advisers Act and from aiding and abetting future violations of Section 204 of the Advisers Act, and Rule 204-2(a) thereunder, in the civil action entitled Securities and Exchange Commission v. Michael Sztrom, et al., Civil Action Number 3:21-cv-00086-H-RBB, in the United States District Court for the Southern District of California.

5. The Commission’s complaint alleged that, from November 2015 through March 2018, Respondents breached their fiduciary duties and defrauded the clients whom they advised through APA. According to the complaint, David Sztrom was complicit in misleading advisory clients because he assisted Michael Sztrom in accessing confidential information from the APA system, including client information, provided Michael Sztrom with access to APA’s broker-dealer, including the APA master account number, and was aware that Michael Sztrom was communicating with APA clients using his personal cell phone rather than the APA email system. The complaint further alleged that Michael Sztrom’s use of his personal phone to exchange text messages with APA clients was not only in violation of APA’s corporate policies and procedures but also meant that Michael Sztrom’s communications with APA clients, including investment advice and messages about trades he was executing, were not monitored or preserved as required by the firm. As alleged by the complaint, Respondents concealed from their advisory clients that Michael Sztrom was providing investment advice to them without being associated with APA and without compliance oversight by APA or any other entity.

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 proceedings be instituted to determine:

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

B. What, if any, remedial action is appropriate in the public interest against Respondents pursuant to Section 203(f) of the Advisers Act.

IV.

IT IS ORDERED that a public hearing before the Commission for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed by further order of the Commission, pursuant to Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondents 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(b) of the Commission's Rules of Practice, 17 C.F.R. § 201.220(b).

IT IS FURTHER ORDERED that the Division of Enforcement and Respondents shall conduct a prehearing conference pursuant to Rule 221 of the Commission's Rules of Practice, 17 C.F.R. § 201.221, within fourteen (14) days of service of the Answer. The parties may meet in person or participate by telephone or other remote means; following the conference, they shall file a statement with the Office of the Secretary advising the Commission of any agreements reached at said conference. If a prehearing conference was not held, a statement shall be filed with the Office of the Secretary advising the Commission of that fact and of the efforts made to meet and confer.

If a Respondent fails to file the directed Answer, or fails to appear at a hearing or conference 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 Respondents by any means permitted by the Commission's Rules of Practice.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that notwithstanding any contrary reference in the Rules of Practice to service of paper copies, service to the Division of Enforcement of all opinions, orders, and decisions described in Rule 141, 17 C.F.R. § 201.141, and all papers described in Rule 150(a), 17 C.F.R. §

201.150(a), in these proceedings shall be by email to the attorneys who enter an appearance on behalf of the Division, and not by paper service.

Attention is called to Rule 151(a), (b) and (c) of the Commission's Rules of Practice, 17 C.F.R. § 201.151(a), (b) and (c), providing that when, as here, a proceeding is set before the Commission, all papers (including those listed in the following paragraph) shall be filed electronically in administrative proceedings using the Commission's Electronic Filings in Administrative Proceedings (eFAP) system access through the Commission's website, www.sec.gov, at <http://www.sec.gov/eFAP>. Respondent also must serve and accept service of documents electronically. All motions, objections, or applications will be decided by the Commission.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that notwithstanding any contrary reference in the Rules of Practice to filing with or disposition by a hearing officer, all filings, including those under Rules 210, 221, 222, 230, 231, 232, 233, and 250 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.210, 221, 222, 230, 231, 232, 233, and 250, shall be directed to and, as appropriate, decided by the Commission. This proceeding shall be deemed to be one under the 75-day timeframe specified in Rule of Practice 360(a)(2)(i), 17 C.F.R. § 201.360(a)(2)(i), for the purposes of applying Rules of Practice 233 and 250, 17 C.F.R. §§ 201.233 and 250.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that the Commission shall issue a decision on the basis of the record in this proceeding, which shall consist of the items listed at Rule 350(a) of the Commission's Rules of Practice, 17 C.F.R. § 201.350(a), and any other document or item filed with the Office of the Secretary and accepted into the record by the Commission. The provisions of Rule 351 of the Commission's Rules of Practice, 17 C.F.R. § 201.351, relating to preparation and certification of a record index by the Office of the Secretary or the hearing officer are not applicable to this proceeding.

The Commission will issue a final order resolving the proceeding after one of the following: (A) The completion of post-hearing briefing in a proceeding where the public hearing has been completed; (B) The completion of briefing on a motion for a ruling on the pleadings or a motion for summary disposition pursuant to Rule 250 of the Commission's Rules of Practice, 17 C.F.R. § 201.250, where the Commission has determined that no public hearing is necessary; or (C) The determination that a party is deemed to be in default under Rule 155 of the Commission's Rules of Practice, 17 C.F.R. § 201.155, and no public hearing is necessary.

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.

For the Commission, by the Secretary, pursuant by delegated authority.

Vanessa A. Countryman
Secretary