

1 ERIN E. SCHNEIDER (Cal. Bar No. 216114)
 MONIQUE WINKLER (Cal. Bar No. 213031)
 2 winklerm@sec.gov
 SHEILA O'CALLAGHAN (Cal. Bar No. 131032)
 3 ocallaghans@@sec.gov
 BERNARD B. SMYTH (Cal. Bar No. 217741)
 4 smythb@sec.gov
 SALLIE S. KIM (Cal. Bar No. 298658)
 5 kimsal@sec.gov

6 Attorneys for Plaintiff
 SECURITIES AND EXCHANGE COMMISSION
 7 44 Montgomery Street, Suite 2800
 San Francisco, California 94104
 8 Telephone: (415) 705-2500
 Facsimile: (415) 705-2501
 9

10
 11 **UNITED STATES DISTRICT COURT**
 12 **EASTERN DISTRICT OF CALIFORNIA**
 13 **SACRAMENTO DIVISION**
 14

15 SECURITIES AND EXCHANGE COMMISSION,
 16 Plaintiff,
 17 v.
 18 KEITH SPRINGER and
 SPRINGER INVESTMENT MANAGEMENT,
 19 INC. DBA SPRINGER FINANCIAL ADVISORS,
 20 Defendants.
 21
 22
 23
 24
 25
 26
 27
 28

Case No.

COMPLAINT
JURY TRIAL DEMAND

1 Plaintiff Securities and Exchange Commission (the “Commission” or “SEC”) alleges the
2 following against Keith Springer and Springer Investment Management, Inc. dba Springer
3 Financial Advisors:

4 **JURISDICTION AND VENUE**

5 1. The Commission brings this action pursuant to Sections 209(d) and 209(e) of the
6 Investment Advisers Act of 1940 (“Advisers Act”) [15 U.S.C. §§ 80b-9(d), 80b-9(e)].

7 2. This Court has jurisdiction over this action pursuant to Sections 209(d), 209(e),
8 and 214 of the Advisers Act [15 U.S.C. §§ 80b-9(d), 80b-9(e), 80b-14].

9 3. Venue in this District is proper pursuant to 28 U.S.C. § 1391 and intradistrict
10 assignment to the Sacramento Division is proper pursuant to Rule 120(d) of the Court’s Local
11 Rules because a substantial part of the acts and transactions constituting the violations alleged in
12 this Complaint occurred in Sacramento County, and Defendant Springer resides in Sacramento.

13 **SUMMARY OF THE ACTION**

14 4. Since at least January 2014, Springer and the investment adviser firm he controls,
15 Springer Investment Management, Inc. dba Springer Financial Advisors (“SFA”), which is
16 registered with the SEC, have engaged in a pattern of deceptive conduct specifically targeted at
17 retirees and near-retirees, including making false and misleading representations to clients and
18 prospective clients and breaching the fiduciary duty they owed to their clients.

19 5. Springer and SFA solicited retirees and near-retirees through advertisements
20 containing false and misleading claims about Defendants’ compensation, conflicts of interest,
21 and Springer’s purportedly vetted expertise. Springer and SFA also concealed from prospective
22 clients their prior disciplinary history with the SEC and Springer’s prior disciplinary history with
23 the New York Stock Exchange (“NYSE”).

24 6. Defendants’ deceptive conduct continued after clients retained SFA. In
25 particular, Springer and SFA recommended to clients, or directed client funds into, certain
26 investments in order to obtain payment of millions of dollars in compensation and the provision
27 of other economic benefits for themselves without disclosing those incentives to their clients.
28

1 incentives to recommend or direct client funds into particular investments; and (iv) engaging in
2 efforts to conceal Defendants' prior disciplinary history from clients and prospective clients.

3 11. Many clients learned about Springer and SFA through a radio show hosted by
4 Springer, called "Smart Money with Keith Springer," which was broadcast on a local radio
5 station in the greater Sacramento area. SFA advertised in its marketing materials (including but
6 not limited to its website, social media pages, direct mail, and newsletters) that Springer hosted
7 the radio show and Springer told clients and prospective clients that he had been selected to host
8 the show due to his expertise. Defendants did not disclose in these marketing materials,
9 however, that SFA paid to host and broadcast the show.

10 12. SFA distributed advertisements to appear as paid sponsored content on websites
11 such as Forbes.com and Money.com. The advertisements were in the form of articles written by
12 Springer.

13 13. Although SFA's materials appeared on these websites as paid advertisements,
14 Springer directed SFA employees to create versions of the articles that said "Published" at the
15 top with the Forbes or Money logo to make the content appear to have been published work
16 other than advertisements. Springer distributed, or directed SFA employees to distribute, these
17 versions to clients and prospective clients at SFA's office.

18 14. Springer also directed SFA employees to distribute the altered materials to clients
19 and prospective clients through marketing materials (including but not limited to its website and
20 newsletters) alongside false claims such as "Keith was recently asked by Forbes to write an
21 article on successful retirement planning" which "was just published by the magazine."

22 15. Defendants made false claims about Springer's expertise in retirement planning.
23 For example, both in Springer's radio show and in materials SFA paid to have appear as
24 sponsored content on websites, Defendants claimed that Springer held a special designation in
25 retirement planning, describing Springer as a "Qualified Retirement Advisor." However, there is
26 no license or special qualification for managing retirement assets, and Springer did not possess
27 such a designation.
28

1 16. Defendants' advertisements made false claims about the amount of money SFA
2 spent on managing client accounts. For example, Springer claimed in his radio show that SFA
3 spent "hundreds of thousands of dollars a year" or "tens of thousands of dollars a year" on
4 research, software, and portfolio monitoring. In truth, the only such service SFA spent money
5 on was a \$3,000 a year Morningstar subscription, which was fully reimbursed by a third party.

6 17. In their marketing materials (including but not limited to SFA's website, social
7 media pages, and articles written by Springer and distributed by SFA), Defendants falsely
8 claimed that they did not have conflicts of interest in making investment recommendations to
9 their clients. For example, SFA's website claimed that Defendants would "never receive any
10 incentives to use an investment in our client portfolios." In reality, as described in Section B
11 below, Defendants had numerous undisclosed compensation arrangements that incentivized them
12 to recommend, and direct client funds into, certain investments.

13 18. Springer directed the inclusion of these claims in SFA's advertisements and
14 instructed SFA employees to distribute the advertisements to clients and prospective clients.
15 During the Relevant Period, Springer also made these misleading claims himself on his radio
16 shows and in meetings with clients and prospective clients.

17 19. Defendants knew, or were reckless in not knowing, that the claims made in their
18 advertisements were false or misleading.

19 20. In addition to the false and misleading claims Defendants made in soliciting
20 clients, Defendants acted to conceal their disciplinary history from prospective clients. In 1999,
21 the NYSE, as part of a disciplinary action that was later upheld by the SEC, censured Springer
22 and barred him for four years from membership for certain improper conduct that benefited him
23 personally to the detriment of his clients.

24 21. In 2005, as part of a separate action, the SEC entered a cease-and-desist order and
25 obtained additional relief against Defendants based on misrepresentations Defendants made
26 regarding the performance of a private hedge fund they managed and for SFA's failure to
27 adequately disclose the NYSE disciplinary action against Springer.
28

1 22. During the Relevant Period, Defendants acted to hide this disciplinary history
2 from prospective clients. SFA was required by SEC regulation to deliver a copy of a disclosure
3 brochure (Form ADV Part 2) that contained Defendants' disciplinary history to prospective
4 clients at or before the time they became new clients. However, at Springer's direction,
5 prospective clients were either not provided with that disclosure or it was made available to them
6 only after they had retained Defendants as their investment adviser.

7 23. SFA also spent tens of thousands of dollars on multiple internet search
8 suppression consultants with the goal of ensuring that the SEC's 2005 Order against Defendants
9 would not be obvious when performing an internet search for their names. For instance,
10 Springer instructed the consultants to use "all resources" to ensure that the SEC's 2005 Order
11 would not appear on the first page of results when someone conducted a "Google search" for
12 Springer and SFA.

13 **B. Defendants Breached Their Fiduciary Duty to Their Clients**

14 24. As investment advisers, Defendants have a fiduciary duty to their advisory
15 clients. As such, Defendants owe their clients an affirmative duty of utmost good faith, must
16 provide full and fair disclosure of all material facts, and have an obligation to employ reasonable
17 care to avoid misleading their clients. Defendants' duty to disclose all material facts includes a
18 duty to tell clients about conflicts of interest that might incline Defendants to render investment
19 advice that is not disinterested.

20 25. Defendants breached their fiduciary duty to their clients by failing to disclose
21 compensation arrangements that incentivized Defendants to recommend and direct client funds
22 into certain investments. Defendants failed to disclose conflicts of interest related to
23 compensation arrangements concerning (i) annuities purchases; (ii) use of a third party asset
24 manager for advisory services; and (iii) the placement of clients in certain portfolios managed by
25 the third party asset manager.

26 26. Defendants knew, or were reckless in not knowing, that these compensation
27 arrangements created conflicts of interest, and knew, or were reckless in not knowing, that this
28 information was not disclosed to clients and prospective clients.

1 **1. Defendants Failed to Disclose Conflicts of Interest Related to**
2 **Annuities Purchases**

3 27. Defendants placed their advisory clients into investments in fixed indexed
4 annuities, including recommending that clients sell securities in existing retirement accounts to
5 fund an annuity, or to sell an existing annuity (and pay the associated surrender fee) to fund a
6 new annuity. Defendants failed to disclose to clients that Defendants had compensation
7 arrangements that provided them with far more money and other benefits for directing clients
8 into annuities than what Defendants would have received had they recommended other
9 investments.

10 28. SFA's standard asset-based management fee was typically 1% to 2% of a client's
11 assets under management. In contrast to its asset-based management fee, SFA received up-front
12 commissions for selling annuities, typically ranging from 5% to 7% of the product's total value,
13 as well as trailing commissions from the insurance companies that issued the annuities. SFA
14 also received bonus payments from insurance companies for selling a certain target number of
15 their annuities within a given period.

16 29. From January 2014 through April 2019, Defendants received at least \$6 million in
17 annuity commissions and bonus payments from the sale of annuities to its advisory clients.
18 Neither Springer nor SFA disclosed this to their advisory clients.

19 30. Defendants also received additional undisclosed benefits for the sale of annuities
20 from an insurance marketing organization. For example, Defendants received, among other
21 things, free sales and operations support, free marketing services, paid incentive trips, and tickets
22 to concerts and sporting events. The benefits were tiered such that the more annuities that
23 Defendants sold, the more benefits Defendants received. Neither Springer nor SFA disclosed the
24 receipt of these benefits to their advisory clients.

25 **2. Defendants Failed to Disclose Conflicts of Interest Related to Use of a**
26 **Third Party Asset Manager for Advisory Services**

27 31. In or around July 2014, SFA entered into an agreement with a registered
28 investment adviser that offered asset management services to other investment advisers (the

1 “Third Party Asset Manager”). Pursuant to that agreement, SFA arranged for nearly all of its
2 new and existing clients to have most of their assets managed by Third Party Asset Manager.
3 Third Party Asset Manager took over portfolio management responsibility for these assets,
4 including the recommendation of an appropriate portfolio for each client based on a
5 questionnaire the client filled out, while SFA continued to serve as the client’s primary
6 investment adviser and had responsibility to monitor each client’s account and to meet regularly
7 with each client to advise on whether the selected portfolio was aligned with the particular
8 client’s goals and risk tolerance.

9 32. For assets managed by Third Party Asset Manager, SFA and its clients agreed to a
10 flat fee structure where clients were charged a fee equal to a set percentage of their assets under
11 management. The total flat fee was to include both SFA’s fee and Third Party Asset Manager’s
12 fee.

13 33. In addition to its portion of the flat fee charged to clients, SFA had arrangements
14 to receive a number of benefits from Third Party Asset Manager that incentivized Defendants to
15 have clients use Third Party Asset Manager’s services. Defendants failed to disclose those
16 conflicts of interest to their clients.

17 34. For example, SFA received free marketing and website design services,
18 reimbursements for its Morningstar subscription, and a free customer relationship management
19 software subscription from Third Party Asset Manager. Since August 2017 through the present,
20 Third Party Asset Manager has also provided SFA with \$1,500 a month in compensation for
21 continuing its relationship with Third Party Asset Manager. Neither Springer nor SFA disclosed
22 any of these benefits to their advisory clients.

23 **3. Defendants Placed Their Own Interests Above Those of Their Clients**
24 **In Directing the Selection of Investment Portfolios**

25 35. Defendants’ fee arrangement with Third Party Asset Manager also created an
26 incentive for Defendants to place client funds into a particular investment portfolio. Defendants
27 put their own interests first and proceeded to direct clients into the portfolio that provided
28 Defendants with the highest compensation.

1 36. The amount of Third Party Asset Manager’s fee depended on the client’s selected
2 portfolio, with Third Party Asset Manager charging higher fees for some portfolios than others.
3 Pursuant to this fee structure, SFA’s fee equaled the difference between the total flat fee SFA
4 charged its clients and the Third Party Asset Manager’s fee. Therefore, SFA received higher
5 fees by recommending investments for which Third Party Asset Manager charged less.

6 37. In or around August 2017, Springer negotiated with Third Party Asset Manager to
7 set Third Party Asset Manager’s fees at either 0.35%, 0.40%, or 0.45%, depending on the
8 portfolio in which client assets were invested. In or around that same month, Springer directed
9 Third Party Asset Manager to move every single one of SFA’s clients into the portfolio that
10 provided Third Party Asset Manager a fee of 0.35%, which resulted in higher fees for SFA.

11 38. Springer made this change irrespective of which portfolio Third Party Asset
12 Manager had recommended for the client based on the client’s stated goals and risk tolerance.
13 Springer also told Third Party Asset Manager that the savings from the selection of a lower-fee
14 portfolio should be sent to SFA, not to SFA’s clients.

15 39. On or about August 31, 2017, Third Party Asset Manager told Springer that the
16 clients that were moved into the lower-fee portfolio should receive the benefit of the lower fees.
17 Springer rejected that suggestion and responded to Third Party Asset Manager in an email that
18 same day that “we are keeping the difference.” Springer also instructed Third Party Asset
19 Manager not to communicate with the clients about this change.

20 **C. Defendants Made Material Misrepresentations and Omissions in Forms**
21 **ADV Filed with the SEC**

22 40. As an investment adviser registered with the SEC, SFA is required to execute and
23 keep current an application for investment adviser registration, called Form ADV, which is
24 required to be filed with the SEC and made available as a public record.

25 41. During the Relevant Period, SFA filed Forms ADV that contained material
26 misrepresentations and omissions, including but not limited to the following:

- 27 a. Item 6 of Form ADV Part 1 requires disclosure of other business activities
28 that the firm is engaged in, such as acting as an insurance broker. In its

1 Forms ADV filed between January 2014 and March 2018, SFA stated that
2 it was not engaged in any other business activities even as it was selling
3 fixed indexed annuities to its advisory clients through Springer's
4 insurance license.

5 b. In its Forms ADV filed between January 2014 and March 2018, SFA
6 failed to make required disclosures regarding Defendants' compensation
7 arrangements and resulting conflicts of interest. Those disclosures were
8 required to be identified in Items 5 and 14 of Form ADV Part 2A and Item
9 5 of Form ADV Part 2B.

10 c. In its Forms ADV filed between January 2014 and August 2019, SFA
11 falsely stated in Item 10 of Form ADV Part 2A that "[a]ll material
12 conflicts of interest . . . are disclosed regarding SFA, its representatives or
13 any of its employees, which could be reasonably expected to impair the
14 rendering of unbiased and objective advice." In fact, SFA failed to
15 disclose numerous conflicts of interest created by compensation
16 arrangements that incentivized Defendants to recommend or direct client
17 funds into particular investments.

18 d. In its Forms ADV filed between July 2014 and August 2019, SFA falsely
19 stated in Item 4 of Form ADV Part 2A that "SFA provides discretionary
20 portfolio management services . . . custom tailored to meet the needs and
21 investment objectives of the client." In fact, SFA outsourced its portfolio
22 management services to Third Party Asset Manager and, as of at least
23 August 2017, directed client funds into portfolios based on Defendants'
24 own financial incentives.

25 42. During the Relevant Period, Springer was responsible for and involved in the
26 filing of SFA's Forms ADV. Springer approved the content of SFA's Forms ADV before they
27 were filed and/or provided to clients, and signed several of SFA's Forms ADV between March
28 2014 and August 2016, but failed to correct the misrepresentations and omissions therein.

1 43. Defendants knew, or were reckless in not knowing, that SFA's Forms ADV
2 contained material misstatements and omissions.

3 **D. Defendants Failed to Timely Amend and Deliver Forms ADV**

4 44. As a registered investment adviser, SFA was required by SEC regulation to
5 deliver a copy of its current Form ADV Part 2A to prospective clients at or before the time they
6 became new clients.

7 45. SFA was further required to amend its Form ADV annually and promptly after
8 any information in its Form ADV became materially inaccurate. If there were material changes
9 to Part 2A of its Form ADV, SFA was required to deliver to its clients either an updated version
10 of the Form ADV Part 2A or a summary of the changes.

11 46. Defendants failed to comply with these requirements on numerous occasions.

12 47. At Springer's direction, prospective clients were either not provided with SFA's
13 Form ADV Part 2A or it was made available to them only after they had retained Defendants.

14 48. Defendants also failed to timely amend SFA's Form ADV and to deliver its
15 amended Form ADV Part 2A to clients. For instance, in July 2014, SFA entered into an
16 agreement with Third Party Asset Manager and thereafter had nearly all of its new and existing
17 clients use Third Party Asset Manager's services. This new arrangement fundamentally changed
18 SFA's fee structure and SFA's responsibilities as it delegated portfolio management to a third
19 party and shared investment management fees with a third party. SFA did not amend its Form
20 ADV to disclose this change until March 2015.

21 49. In July 2017, SFA entered into a revised agreement with Third Party Asset
22 Manager whereby Third Party Asset Manager was designated a sub-adviser for client accounts.
23 This new arrangement further changed SFA's fee structure and its relationship with Third Party
24 Asset Manager. The new agreement also changed its clients' relationships with Third Party
25 Asset Manager in that the clients no longer had a direct advisory relationship with Third Party
26 Asset Manager, but rather Third Party Asset Manager was now a sub-adviser. SFA did not
27 amend its Form ADV to disclose this change until March 2018 and failed to deliver either the
28 updated Form ADV Part 2A or a summary of the changes to clients.

1 50. During the Relevant Period, Springer had ultimate authority over the content and
2 filing of SFA's Form ADVs. Springer also signed a number of Forms ADV during the Relevant
3 Period.

4 51. Springer knew, or was reckless in not knowing, that SFA (i) failed to timely
5 deliver its Form ADV 2A to new clients; and (ii) failed to promptly amend SFA's Form ADV
6 filings after there were material changes to its business and to deliver an updated version of the
7 Form ADV Part 2A or a summary of the changes to Defendants' clients.

8 **E. SFA Had an Inadequate Compliance Program**

9 52. During the Relevant Period, SFA failed to adopt and implement adequate written
10 compliance policies and procedures. SFA's compliance policies and procedures were inadequate
11 because (i) they were outdated; (ii) they were not tailored to SFA's actual business practices; and
12 (iii) what policies and procedures did exist were not implemented.

13 53. SFA's compliance manual, which constituted its compliance policies and
14 procedures, was not updated substantively between 2009 and 2017 even though SFA's business
15 practices changed significantly during that period and outside compliance consultants
16 recommended changes to SFA's policies and procedures that SFA did not make.

17 54. During the Relevant Period, although a substantial portion of SFA's business
18 included sales of annuities to its advisory clients and the use of a third party asset manager, there
19 were no policies or procedures concerning either practice.

20 55. SFA also lacked any policies regarding how the firm should identify, disclose,
21 and address potential and actual conflicts of interest.

22 56. In addition, SFA had an advertising policy, but it was generic with no specific
23 guidelines with respect to certain frequently used marketing materials, such as Springer's radio
24 show and SFA's website.

25 57. Not only did SFA fail to adopt adequate compliance policies and procedures, it
26 failed to implement the policies and procedures it did have. For example, SFA did not follow its
27 advertising policy of having its Chief Compliance Officer or other designated officer sign and
28 date all advertisements.

1 58. During the Relevant Period, Springer retained ultimate responsibility for
2 maintaining an adequate compliance program for SFA.

3 59. Springer knew, or was reckless in not knowing, that SFA failed to adopt and
4 implement written policies and procedures reasonably designed to prevent violation by the firm
5 and its supervised persons of the Advisers Act and rules promulgated thereunder.

6 **F. SFA Failed to Maintain Required Books and Records**

7 60. SFA failed to maintain certain required books and records. For example, during
8 the Relevant Period, SFA failed to keep records of when it delivered its Form ADV Part 2A to
9 clients, failed to keep copies of its advertisements, and failed to maintain documents concerning
10 customer complaints and its annual compliance reviews.

11 61. During the Relevant Period, Springer retained ultimate responsibility for
12 maintaining required books and records.

13 62. Springer knew, or was reckless in not knowing, that SFA failed to maintain
14 certain books and records as required.

15 **FIRST CLAIM FOR RELIEF**

16 **Violation of Sections 206(1) and 206(2) of the Advisers Act by Springer and SFA**

17 **Aiding and Abetting SFA's Violation by Springer**

18 63. The SEC realleges and incorporates by reference paragraphs 1 through 62, as
19 though fully set forth herein.

20 64. At all relevant times, Defendants were "investment advisers" within the meaning
21 of Section 202(a)(11) of the Advisers Act [15 U.S.C. § 80b-2(a)(11)]. Springer and SFA each
22 were in the business of providing investment advice concerning securities for compensation.
23 Springer was also an investment adviser due to his ownership, management, and control of SFA.

24 65. As set forth above, Defendants, by use of the mails or any means of
25 instrumentality of interstate commerce, directly or indirectly, acting intentionally, knowingly, or
26 recklessly: (a) have employed or are employing devices, schemes, or artifices to defraud clients
27 and/or potential clients; or (b) have engaged or are engaging in transactions, practices, or courses
28 of business which operate as a fraud or deceit upon a client or prospective client.

1 66. Defendants owed a fiduciary duty of utmost good faith, loyalty, and care to make
2 full and fair disclosures to their clients, including of any conflicts or potential conflicts of
3 interests, as well the duty to act in the clients' best interests, and not to act in Defendants' own
4 interests to the detriment of their clients. Defendants breached their fiduciary duty to their
5 clients, and engaged in a scheme to violate Sections 206(1) and 206(2) of the Advisers Act.

6 67. As a result, Springer and SFA have violated Sections 206(1) and 206(2) of the
7 Advisers Act [15 U.S.C. §§ 80b-6(1), 80b-6(2)], and unless restrained and enjoined will continue
8 to violate these provisions.

9 68. Springer knowingly and recklessly provided substantial assistance to SFA's
10 violations.

11 69. As a result, Springer aided and abetted SFA's violations of Sections 206(1) and
12 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1), 80b-6(2)], and unless restrained and
13 enjoined, will continue to aid and abet such violations.

14 **SECOND CLAIM FOR RELIEF**

15 **Violation of Section 206(4) of the Advisers Act and Rule 206(4)-1(a)(5) Thereunder by SFA**

16 **Aiding and Abetting SFA's Violation by Springer**

17 70. The SEC realleges and incorporates by reference paragraphs 1 through 64, as
18 though fully set forth herein.

19 71. Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(4)] and Rule 206(4)-
20 1(a)(5) promulgated thereunder [17 C.F.R. § 275.206(4)-1(a)(5)] provide that it shall constitute a
21 fraudulent, deceptive, or manipulative act, practice, or course of business for any registered
22 investment adviser, directly or indirectly, to publish, circulate, or distribute any advertisement
23 which contains any untrue statement of a material fact, or which is otherwise false or misleading.

24 72. As set forth above, SFA published, circulated, or distributed advertisements –
25 including without limitation websites, social media pages, direct mail, newsletters, broadcasts
26 and recordings of Springer's radio show, and articles written by Springer – that contained untrue
27 statements of material fact or were otherwise false or misleading.

28 73. As a result, SFA has violated Section 206(4) of the Advisers Act [15 U.S.C. §

1 80b-6(4)] and Rule 206(4)-1(a)(5) thereunder [17 C.F.R. § 275.206(4)-1(a)(5)], and unless
2 restrained and enjoined will continue to violate these provisions.

3 74. Springer knowingly and recklessly provided substantial assistance to SFA's
4 violations.

5 75. As a result, Springer aided and abetted SFA's violations of Section 206(4) of the
6 Advisers Act [15 U.S.C. § 80b-6(4)] and Rule 206(4)-1(a)(5) thereunder [17 C.F.R. §
7 275.206(4)-1(a)(5)], and unless restrained and enjoined, will continue to aid and abet such
8 violations.

9 **THIRD CLAIM FOR RELIEF**

10 **Violation of Section 206(4) of the Advisers Act and Rule 206(4)-7 Thereunder by SFA**

11 **Aiding and Abetting SFA's Violation by Springer**

12 76. The SEC realleges and incorporates by reference paragraphs 1 through 64, as
13 though fully set forth herein.

14 77. Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(4)] and Rule 206(4)-7
15 promulgated thereunder [17 C.F.R. § 275.206(4)-7] provide that it shall constitute a fraudulent,
16 deceptive, or manipulative act, practice, or course of business for any registered investment
17 adviser, directly or indirectly, to fail to adopt and implement written policies and procedures
18 reasonably designed to prevent violation of the Advisers Act and the rules promulgated
19 thereunder. Investment advisers must also review, no less frequently than annually, the
20 adequacy of those policies and procedures and the effectiveness of their implementation.

21 78. As set forth above, SFA failed to adopt and implement written policies and
22 procedures reasonably designed to prevent violations of the Advisers Act and the rules
23 promulgated thereunder by SFA and its supervised persons.

24 79. As a result, SFA has violated Section 206(4) of the Advisers Act [15 U.S.C. §
25 80b-6(4)] and Rule 206(4)-7 thereunder [17 C.F.R. § 275.206(4)-7], and unless restrained and
26 enjoined will continue to violate these provisions.

27 80. Springer knowingly and recklessly provided substantial assistance to SFA's
28 violations.

1 81. As a result, Springer aided and abetted SFA's violations of Section 206(4) of the
2 Advisers Act [15 U.S.C. § 80b-6(4)] and Rule 206(4)-7 thereunder [17 C.F.R. § 275.206(4)-7],
3 and unless restrained and enjoined, will continue to aid and abet such violations.

4 **FOURTH CLAIM FOR RELIEF**

5 **Violation of Section 204 of the Advisers Act and Rule 204-2 Thereunder by SFA**

6 **Aiding and Abetting SFA's Violation by Springer**

7 82. The SEC realleges and incorporates by reference paragraphs 1 through 64, as
8 though fully set forth herein.

9 83. Section 204 of the Advisers Act [15 U.S.C. § 80b-4] and Rule 204-2 promulgated
10 thereunder [17 C.F.R. § 275.204-2] require a registered investment adviser to make and keep
11 true, accurate, and current books and records relating to its investment advisory business that the
12 SEC has prescribed as necessary or appropriate in the public interest or for the protection of
13 investors.

14 84. By engaging in the conduct described above, SFA while acting as a registered
15 investment adviser who makes use of the mails or of any means or instrumentality of interstate
16 commerce in connection with its business as an investment adviser, failed to make and keep true,
17 accurate, and current books and records relating to its investment advisory business including,
18 but not limited to, records of when it delivered its Form ADV Part 2A to clients and copies of
19 SFA's advertisements.

20 85. As a result, SFA has violated Section 204 of the Advisers Act [15 U.S.C. § 80b-4]
21 and Rule 204-2 thereunder [17 C.F.R. § 275.204-2], and unless restrained and enjoined will
22 continue to violate these provisions.

23 86. Springer knowingly and recklessly provided substantial assistance to SFA's
24 violations.

25 87. As a result, Springer aided and abetted SFA's violations of Section 204 of the
26 Advisers Act [15 U.S.C. § 80b-4] and Rule 204-2 thereunder [17 C.F.R. § 275.204-2], and
27 unless restrained and enjoined, will continue to aid and abet such violations.

FIFTH CLAIM FOR RELIEF

**Violation of Section 204 of the Advisers Act and Rules 204-1 and 204-3 Thereunder by SFA
Aiding and Abetting SFA’s Violation by Springer**

88. The SEC realleges and incorporates by reference paragraphs 1 through 64, as though fully set forth herein.

89. Section 204 of the Advisers Act [15 U.S.C. § 80b-4] and Rule 204-1 thereunder [17 C.F.R. § 275.204-1] require an investment adviser to amend its Form ADV annually or promptly whenever any information in it becomes materially inaccurate. Section 204 of the Advisers Act [15 U.S.C. § 80b-4] and Rule 204-3 thereunder [17 C.F.R. § 275.204-3] requires registered investment advisers to deliver a current Form ADV Part 2A (or its equivalent) to each client or prospective client “before or at the time” the adviser enters into an investment advisory contract with that client. If there are material changes in the Form ADV Part 2A, the adviser is also required to annually deliver a current Form ADV Part 2A (or its equivalent) or a summary of the material changes.

90. By reason of the foregoing, SFA failed to amend and deliver its Form ADV as required and has violated Section 204 of the Advisers Act [15 U.S.C. § 80b-4] and Rules 204-1 and 204-3 thereunder [17 C.F.R. §§ 275.204-1, 275.204-3], and unless restrained and enjoined will continue to violate these provisions.

91. Springer knowingly and recklessly provided substantial assistance to SFA’s violations.

92. As a result, Springer aided and abetted SFA’s violations of Section 204 of the Advisers Act [15 U.S.C. § 80b-4] and Rules 204-1 and 204-3 thereunder [17 C.F.R. §§ 275.204-1, 275.204-3], and unless restrained and enjoined, will continue to aid and abet such violations.

SIXTH CLAIM FOR RELIEF

**Violation of Section 207 of the Advisers Act by Springer and SFA
Aiding and Abetting SFA’s Violation by Springer**

93. The SEC realleges and incorporates by reference paragraphs 1 through 64, as though fully set forth herein.

1 94. Section 207 of the Advisers Act [15 U.S.C. § 80b-7] provides that it is unlawful
2 for any person willfully to make any untrue statement of a material fact in any registration
3 application or report filed with the SEC under Section 203 of the Advisers Act [15 U.S.C. §
4 80b-3], or to omit to state in any such application or report any material fact which is required to
5 be stated therein. Rule 204-1 [17 C.F.R. § 275.204-1] promulgated under Section 204 of the
6 Advisers Act [15 U.S.C. § 80b-4] states that each amendment to the Form ADV is a “report”
7 within the meaning of Section 207 of the Advisers Act [15 U.S.C. § 80b-7].

8 95. As set forth above, SFA willfully made untrue statements of material fact, or
9 willfully omitted to state a material fact which was required to be stated, in Forms ADV that it
10 filed with the SEC. Springer was responsible for and involved in these false filings, and signed a
11 number of these Forms ADV.

12 96. As a result, Springer and SFA have violated Section 207 of the Advisers Act [15
13 U.S.C. § 80b-7], and unless restrained and enjoined will continue to violate this provision.

14 97. Springer knowingly and recklessly provided substantial assistance to SFA’s
15 violations.

16 98. As a result, Springer aided and abetted SFA’s violations of Section 207 of the
17 Advisers Act [15 U.S.C. § 80b-7], and unless restrained and enjoined, will continue to aid and
18 abet such violations.

19 **PRAYER FOR RELIEF**

20 WHEREFORE, the SEC respectfully requests that this Court enter a judgment:

21 I.

22 Permanently enjoining Defendants Springer and SFA from directly or indirectly engaging
23 in the conduct described above, or in conduct of similar purport and effect, in violation of:

24 A. Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1), 80b-
25 6(2)];

26 B. Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(4)] and Rules 206(4)-
27 1(a)(5) and 206(4)-7 thereunder [17 C.F.R. §§ 275.206(4)-1(a)(5), 275.206(4)-7];
28

1 C. Section 204 of the Advisers Act [15 U.S.C. § 80b-4] and Rules 204-1, 204-2, and
2 204-3 thereunder [17 C.F.R. §§ 275.204-1, 275.204-2, 275.204-3]; and

3 D. Section 207 of the Advisers Act [15 U.S.C. § 80b-7];

4 II.

5 Ordering Defendants Springer and SFA to disgorge all ill-gotten gains derived from the
6 conduct alleged herein, plus prejudgment interest thereon;

7 III.

8 Ordering Defendants Springer and SFA to pay civil monetary penalties pursuant to
9 Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)];

10 IV.

11 Retaining jurisdiction of this action in accordance with the principles of equity and the
12 Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and
13 decrees that may be entered, or to entertain any suitable application or motion for additional
14 relief within the jurisdiction of this Court; and

15 V.

16 Granting such other and further relief as this Court may deem just, equitable, and
17 necessary.

18
19 Dated: December 19, 2019

20 Respectfully submitted,

21 /s/ Sallie S. Kim

22 Sallie S. Kim
23 Securities and Exchange Commission
24 44 Montgomery Street, Suite 2800
25 San Francisco, California 94104
26 Telephone: (415) 705-2500
27 Facsimile: (415) 705-2501
28 Email: KimSal@sec.gov
Attorney for Plaintiff
Securities and Exchange Commission