UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 4361 / April 5, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17195

In the Matter of

CAMBRIDGE INVESTMENT RESEARCH ADVISORS, INC.

Respondent.

ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTIONS 203(e) AND 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 ("Advisers Act") against Cambridge Investment Research Advisors, Inc. ("Respondent" or "CIRA").

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 it and the subject matter of these proceedings, which are admitted, and except as provided herein in Section IV, Respondent consents to the entry of this Order Instituting Administrative and Cease-And-Desist Proceedings Pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-And-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

Summary

1. This failure to supervise case arises out of a fraudulent scheme by Richard P. Sandru ("Sandru"), the principal of a CIRA Office of Supervisory Jurisdiction ("OSJ") and investment adviser representative associated with 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.[2] Beginning in at least June 2010, Sandru also engaged in unsuitable options trading in the accounts of certain advisory clients.

2. From November 2009 through March 2011, Respondent failed reasonably to supervise Sandru with a view to preventing his violations of the federal securities laws. In November 2009, Respondent determined that Sandru should be placed on heightened supervision. Sandru was supposed to have been on heightened supervision from November 2009 through early June 2010. However, Respondent failed to have systems that would reasonably be expected to ensure that Sandru's heightened supervision plan was disclosed to and implemented by his supervisors. As a result, Sandru's heightened supervision was not implemented. Respondent also failed to have policies and procedures that would reasonably be expected to prevent fraudulent activities in connection with financial planning services offered by investment adviser representatives. In addition, Respondent lacked systems that would reasonably be expected to implement its policies to prevent unsuitable options trading in advisory client accounts.

Respondent

3. Respondent is an Iowa corporation with its principal place of business in Fairfield, Iowa, and has been registered with the Commission as an investment adviser since February 3, 2005. Respondent reported approximately $23.5 billion in assets under management as of March 2015.

Sandru's Violations of the Federal Securities Laws

4. From at least December 2009 through March 2011, while associated with CIRA, Sandru misappropriated at least $308,850 in purported "financial planning" fees from 47 advisory clients, by forging their signatures on or adding costs to Financial Planning Engagement agreements ("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.

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[1] 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.

[2] *See Richard P. Sandru*, Advisers Act Rel. No. 3646 (August 12, 2013).

5. 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 department debited the financial planning fees from the client's account.[3] 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.

6. During the relevant period, the fees Sandru 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 Respondent. 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 Respondent as a result of the fraudulent FPEs. Sandru also reversed financial planning fees on numerous occasions, beginning as early as April 2010.

7. Sandru also submitted FPEs showing asset and net worth information that was materially in excess of what was contained on certain clients' new account forms, account statements, and in some cases, earlier FPEs.

8. Beginning in at least June 2010 through March 2011, Sandru engaged in unsuitable options trading in several advisory client accounts. Specifically, Sandru purchased risky call options in certain accounts that left the accounts heavily concentrated in one option investment. These option investments were unsuitable to the needs of those clients. Further, Sandru made misrepresentations about option trades and strategies to certain of these clients. Sandru solicited some of the clients to purchase options by representing that he intended to use a straddle strategy using both a call and a put. For certain of these clients, however, contrary to his representations, Sandru purchased only call options, holding them for long periods when the stock price was going down, resulting in large losses. In some instances, Sandru also made misrepresentations about which options he would buy for the clients, and about the value or risk of loss on the options he purchased for the clients.

Respondent's Supervision of Sandru

9. Sandru was an investment adviser representative associated with Respondent from July 1, 2009 until he was permitted to resign on April 29, 2011. While at CIRA, Sandru acted as a principal of a CIRA OSJ, where he supervised two other CIRA investment adviser representatives along with some administrative assistants. Sandru worked in the Perrysburg, Ohio branch office.

10. By the time Sandru left CIRA at the end of April 2011, he was managing approximately $47 million in assets for about 180 advisory clients who collectively held about 480 accounts. Most of these accounts were discretionary, and funds were maintained in custodial accounts by a custodian.

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3 These fees subsequently appeared on each client's account statement as a financial planning fee debit.

11. 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 decision to hire Sandru be presented to a special committee. CIRA ultimately decided to allow Sandru to associate with CIRA, and he started working as a CIRA investment adviser representative on July 1, 2009.

12. Most CIRA investment adviser representatives are located in branch offices and are supervised directly by a field OSJ supervisor. OSJ principals and certain other 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.

13. During the relevant period, because of the large number of offices and representatives that they supervised, the Regional Directors had numerous designees to assist in many supervisory tasks.[4] Those designees included the Trade Desk staff, who reviewed trading activity and exception reports. The Advisory Services group within Respondent's Compliance Department reviewed financial planning engagements of investment adviser representatives supervised by Regional Directors.

14. In October 2009, Sandru's previous broker-dealer filed an amended Form U5 disclosing that Sandru had not voluntarily resigned but in fact had been terminated for attempting to settle a complaint directly with a customer. Shortly thereafter, Respondent was notified that FINRA was investigating the matter. As a result, Respondent 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.

15. Respondent'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 Respondent on November 5, 2009. Among other things, the PDP required the supervisor to review new accounts daily, review correspondence weekly, and contact five of Sandru's clients quarterly.

16. The 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.

[4] In 2010, Respondent had six Regional Directors who each supervised approximately 80-100 offices.

17. Sandru's first Regional Director was terminated in December 2009, and Respondent assigned a new supervisor for Sandru. At that time, the new supervisor 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.

18. In February 2010, Sandru's second Regional Director 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 with Utah, and Sandru was not placed on heightened supervision at that time.

19. On March 8, 2010, Compliance reported to the second Regional Director that Compliance had concerns about Sandru's financial planning engagements because Sandru was calling Compliance to get it to "push through" certain FPEs for processing on an expedited basis and was also 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 the Regional Director about Sandru's credit problems. Later that same day, Compliance suggested that the Regional Director contact some of Sandru's financial planning clients as part of his heightened supervision of Sandru.

20. After discovering that Sandru had not been placed under heightened supervision, on March 10, 2010, Compliance sent the Regional Director a new PDP. The PDP required the Regional Director 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 whether the heightened supervision would be continued.

21. The second Regional Director, 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, the Regional Director did not contact any of Sandru's clients, even after being furnished with a list of sixteen financial planning clients that were the subject of an April 2010 Compliance review. Had the second Regional Director implemented the supervisory procedures set out in the PDP, and contacted five of the clients on that list - thirteen of whom had already been fraudulently billed for financial planning fees - Sandru's fraudulent conduct would likely have been discovered at this time.

22. In addition to the heightened supervision, because of Compliance's concerns regarding Sandru's financial planning engagements, Respondent conducted an announced audit of Sandru's branch office in March 2010. However, little additional information relating to Sandru's

FPEs was obtained during the audit, and the auditor was not asked to contact any of Sandru's clients. The audit found no deficiencies with regard to Sandru's investment advisory activities, but noted that Compliance would be following up regarding Sandru's financial planning services outside of the audit.

23. In April 2010, the Compliance Department conducted a random review of the FPEs of 16 of Sandru's financial planning clients. During that review, Compliance requested that Sandru provide it with certain full written financial plans that Sandru had not previously submitted as he was required to do under Respondent's then existing policies. Compliance did not request or review any documents other than the 16 FPEs and any full written financial plans prepared by Sandru.

24. During its review, Compliance did not check to see whether any of the 16 clients had been previously billed for financial planning services. Had Compliance conducted such a check, it would have discovered that, by April 21, 2010, one of the 16 clients had been already charged twice for such services. Compliance also did not check to see whether Sandru had reversed any of the financial planning fees for these clients. Had it done so, Compliance would have learned that within weeks of the initiation of its review, Sandru reversed the financial planning fees that he had charged to three of the 16 clients.

25. Compliance also did not contact any of the clients that were the subject of its review. Compliance understood that the Regional Director would make such calls as part of his heightened supervision of Sandru.

26. Compliance did not discover the fraudulent financial planning fees at this time. Rather, after speaking with Sandru, Compliance concluded that Sandru was not filling out the FPE form correctly and was not indicating all of the services he was providing on the form. Compliance and Sandru's Regional Director informed Sandru in a telephone conversation that the fees he was charging were higher than those typically charged by other representatives and that he should include all of the services that he was performing on the FPE. They also told Sandru that if he was charging upfront fees for full written financial plans, he needed to submit those plans to Compliance within six months.

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

28. In June 2010, supervision of Sandru was transferred to a third Regional Director. Although Regional Directors had a practice of discussing their supervisees when they were transferred to a new Regional Director, CIRA had no written policies requiring such a communication or requiring that the new Regional Director be provided with any information regarding his or her new supervisees. CIRA lacked policies that would reasonably be expected to ensure that Sandru's new supervisor was notified about the risks associated with Sandru, including that he had poor credit, had been terminated by his previous broker-dealer for attempting to settle a

complaint directly with a customer, had been investigated by FINRA, and had been subject to heightened supervision, and the third Regional Director was not informed about all of these risks.

29. Sandru began engaging in unsuitable options trading in advisory clients' accounts beginning in at least June 2010, and he continued to fraudulently bill clients for financial planning services that he had not performed until March 2011.

30. In March, 2011, while investigating a client complaint against Sandru, Respondent discovered that Sandru had been communicating with an advisory client from an unauthorized hotmail address, had misrepresented the client's account balance, signed a promissory note agreeing to compensate the client for a $100,000 loss in the client's options account, and failed to forward correspondence to Respondent from the client's attorney. Based on this information, as well as Sandru's history of attempting to settle a complaint directly with a customer while working at his previous broker-dealer, Respondent decided to terminate Sandru.

31. Around the time Respondent decided to terminate Sandru, Respondent received several requests from Sandru's office to reverse financial planning fees and learned that clients were claiming that they had not received the financial planning services they had been billed for. Respondent then conducted an internal investigation and discovered that Sandru had misappropriated at least $308,850 in "financial planning" fees from advisory clients and had misled certain advisory clients into believing that they had more money in their accounts than they actually had.

32. During the course of the internal investigation, Respondent brought Sandru's conduct to the staff's attention in August 2011, and, on its own initiative, began refunding misappropriated financial planning fees to affected clients. Respondent cooperated and provided assistance to the staff in the staff's investigation of Sandru. Respondent ultimately paid a total of $308,850 to the clients from whom Sandru had misappropriated financial planning fees.

<u>Respondent Lacked Systems that Would Reasonably Be Expected to Ensure that Heightened Supervision Plans were Disclosed to and Implemented by Supervisors</u>

33. Under Respondent's policies and procedures, it was the responsibility of Respondent's Compliance and Advocacy and Supervision departments to identify investment adviser representatives for potential heightened supervision. The Compliance department, in consultation with the supervisor, was to determine the scope of the heightened supervision. Compliance was to notify the representative's supervisor of the heightened supervision requirements and prepare a PDP outlining the steps that the supervisor should take in performing the heightened supervision.

34. The supervisor was required to sign and return a copy of the PDP to Compliance. The supervisor was required to conduct the increased supervision and prepare and send any certifications required in the PDP to Compliance. Regional Directors were responsible for conducting heightened supervision of OSJ principals in accordance with the terms of the PDP.

35. During the relevant period, Respondent lacked systems for applying its heightened supervision policies that would reasonably be expected to ensure that Sandru's PDP was signed by his supervisors and provided to Sandru. Respondent also lacked systems to ensure that Sandru, whose PDP was not executed, was in fact placed on heightened supervision. Respondent also failed to adopt written policies or procedures that would reasonably be expected to ensure that new supervisors and their designees were notified that their supervisees were on heightened supervision or about all of the risks associated with their new supervisees.

36. During the relevant period, Respondent kept track of which representatives were subject to heightened supervision using a spreadsheet prepared by the Compliance Department. Compliance, however, did not add a representative to the spreadsheet unless it received a signed PDP back from the supervisor. Because Sandru's first Regional Director did not return the signed PDP to Compliance, Sandru was not put on Compliance's spreadsheet of representatives subject to heightened supervision. As a result, no one followed up with the first Regional Director to find out whether Sandru had been placed under heightened supervision; Sandru's second Regional Director was not informed for several months that Sandru was supposed to be on heightened supervision; and the terms of Sandru's heightened supervision were not implemented from November 2009 through March 2010.

37. Respondent also failed to have systems that would reasonably be expected to ensure that Sandru's heightened supervision plan, which lasted less than six months, was implemented. Although Respondent had a procedure requiring Compliance to contact supervisors every six months and require them to return a form reporting on the results of the heightened supervision, Compliance never asked Sandru's second Regional Director to complete the form because the heightened supervision that was supposed to be performed by the second Regional Director lasted less than six months. As a result, Respondent was not aware that the terms of Sandru's heightened supervision were not being implemented from March through June 2010.

Respondent Failed to have Policies and Procedures that Would Reasonably Be Expected to Prevent Fraudulent Activities in Connection with Financial Planning Services

38. Under Respondent's policies and procedures, its investment advisory representatives could bill clients for three types of financial planning services: Full Financial Plan; Review and Update Financial Plan; and Limited Scope Planning Services. In order to bill clients for these services, investment adviser representatives were required to complete and submit an FPE to Respondent's Compliance Department. The FPE indicated the type of services to be performed, the fee, and contained certain information about the client, including income, net worth and investable net worth. The FPE was to be initialed and signed by the client.

39. Respondent permitted advisory representatives to bill clients up front for financial planning services that had not yet been performed for the clients. Respondent's policies required that the representative complete the performance of any financial planning services within six months of the signing of the FPE. If full financial planning services were performed, a written

financial plan was required to be submitted to Compliance within six months of the signing of the FPE.

40. For OSJ principals like Sandru, FPEs were reviewed and approved by the Advisory Services section of the Compliance Department. Compliance's review of FPEs consisted of determining whether the information provided on the FPE was complete and the amount being charged appeared reasonable based on the services that were being provided.

41. As discussed above, Sandru submitted fraudulent FPEs to bill numerous clients multiple times for financial planning services. Some clients were fraudulently billed multiple times just weeks apart. Sandru also submitted some fraudulent FPEs containing asset and net worth information that was significantly in excess of what was contained on the clients' new account forms, account statements, and in some cases, earlier FPEs, and he billed several clients more than ten percent of the value of the assets they actually held at Respondent. On some occasions, Sandru also reversed financial planning fees that he had previously charged. Many of the fraudulently billed financial planning fees were for the purported review and updating of financial plans or other limited scope financial planning services.

42. During the relevant period, Respondent failed to have policies or procedures for supervising the financial planning services activities of OSJ supervisors that would reasonably be expected to prevent their fraudulent conduct. Respondent did not have surveillances, reports, or reviews that were reasonably designed to detect suspicious activity with regard to an advisory representative's financial planning activities. Respondent also did not require OSJ supervisors such as Sandru to provide any information to Respondent evidencing their performance of updating of financial plans or limited scope financial planning services, even though advisory representatives who were supervised by OSJ supervisors were required to submit documentation evidencing their performance of such services to their direct supervisors. In addition, Respondent's review of FPEs submitted by OSJ supervisors was limited to reviewing information on the face of the FPE and speaking with the investment adviser representatives or their staff if there were questions.

43. As a result of the deficient procedures described above, no one at CIRA discovered Sandru's fraudulent financial planning fees until March 2011.

Respondent Lacked Systems that Would Reasonably be Expected to Implement its Policies to Prevent Unsuitable Options Trading in Client Accounts.

44. During the relevant period, Respondent's compliance manual stated that "[c]lients may receive approval to trade options within a [CIRA] managed account using a conservative option strategy" and limited representatives to using covered calls, long calls and long puts. The manual also stated that "[o]ption contracts are permitted only as a nominal percentage of the client's managed account." Respondent failed to have procedures or surveillances that would reasonably be expected to detect concentrated options positions or large losses on options positions in managed accounts.

45. As discussed in paragraph 8 above, Sandru engaged in unsuitable options trading in some client accounts by investing large percentages of the accounts in call options on a single security. Sandru's options trading activities were not detected, however, because Respondent lacked systems that would reasonably be expected to implement the options trading policies in its compliance manual.

Violations

46. As a result of the conduct described above, Respondent 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.

47. As a result of the conduct described above, Respondent willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder, which requires registered investment advisers to adopt and implement written policies and procedures reasonably designed to prevent violations of the Advisers Act.

Respondent's Remedial Efforts

In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation afforded the Commission staff. Among other things, during the staff's investigation, Respondent discovered the fraud perpetrated by Sandru, disclosed the conduct to the Commission, and on its own initiative began refunding misappropriated financial planning fees to clients. Additionally, Respondent conducted a review of and made improvements to its compliance and supervision policies and procedures and systems to implement such policies and procedures with regard to heightened supervision plans; financial planning services; and options trading in managed accounts. Respondent also hired a compliance consultant (the "Consultant") to conduct a comprehensive review of Respondent's compliance and supervision policies and procedures and systems to implement such policies and procedures with regard to heightened supervision plans; financial planning services; and options trading in managed accounts.

Undertakings

50. Respondent has undertaken to:

a. Continued Retention of Compliance Consultant. The Consultant has completed his initial work and submitted a report detailing his work, findings, and recommendations to Respondent, which Respondent shared with the staff. Respondent has followed those recommendations. Respondent shall continue to retain, at its expense, the Consultant, to conduct a review of the implementation of Respondent's revised compliance and supervision policies and procedures and with regard to heightened supervision plans; financial planning services; and options trading in managed accounts, which shall be completed no later than three months from the date of the issuance of this Order.

b. At the end of the review, which in no event shall be more than three months after the date of the issuance of this Order, Respondent shall require the Consultant to submit a Report to Respondent and to the Commission staff. The Report shall describe the review performed, the conclusions reached, and shall include any recommendations deemed necessary to make the policies and procedures and their implementation adequate. Respondent may suggest an alternative procedure designed to achieve the same objective or purpose as that of the recommendation of the Consultant. The Consultant shall evaluate any alternative procedure proposed by Respondent. However, Respondent shall abide by the Consultant's final recommendation.

c. Within six months after the date of issuance of this Order, Respondent shall, in writing, advise the Consultant and the Commission staff of the recommendations it is adopting.

d. Within nine months after the date of issuance of this Order, Respondent shall require the Consultant to complete its review and submit a written final report to Commission staff. The Final Report shall describe the review made of Respondent's compliance policies and procedures; set forth the conclusions reached and the recommendations made by the Consultant, as well as any proposals made by Respondent; and describe how Respondent is implementing the Consultant's final recommendations.

e. Respondent shall take all necessary and appropriate steps to adopt and implement all recommendations contained in the Consultant's Final Report to the extent it has not already done so.

f. For good cause shown and upon timely application by the Consultant or Respondent, the Commission's staff may extend any of the deadlines set forth in these undertakings.

51. Respondent shall certify, in writing, compliance with the undertaking(s) set forth above. The certification shall identify the undertaking(s), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence. The certification and supporting material shall be submitted to Timothy J. Warren, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty days from the date of the completion of the undertakings

IV.

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

Accordingly, pursuant to Sections 203(e) and 203(k) of the Advisers Act, it is hereby ORDERED that**:**

A. Respondent cease and desist from committing or causing any violations and any future violations of Section 206(4) and Rule 206(4)-7 promulgated thereunder.

B. Respondent is censured.

C. Respondent shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of $225,000 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). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. 3717. 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;
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> (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 Cambridge Investment Research Advisors, Inc. 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.

D. 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, it shall not argue that it is entitled to, nor shall it 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 it 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.

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

By the Commission.

Brent J. Fields
Secretary