

ADMINISTRATIVE PROCEEDING
BEFORE THE
MARYLAND SECURITIES COMMISSIONER

IN THE MATTER OF:

*

ROBERT BRUCE SANDO,

*

File No. 2000-0140

Respondent.

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* * * * *

CONSENT ORDER

WHEREAS, the Maryland Securities Commissioner (the “Commissioner”), pursuant to the authority granted by Section 11-701 of the Maryland Securities Act, Corporations and Associations Article, Title 11, Annotated Code of Maryland (1999 Repl. Vol. & 2004 Supp.) (the “Act”) instituted an investigation with regard to apparent violations of the Act by Robert Bruce Sando (“Sando”), the respondent in this proceeding; and

WHEREAS, Section 11-501 of the Act makes it unlawful for any person to offer or sell in this State a security that is not registered as required by the Act unless the security or transaction is exempt from registration under Subtitle 6 of the Act or is a federal covered security; and

WHEREAS, Section 11-401 of the Act makes it unlawful for any person to offer or sell a security in this State when the person is not registered as a broker-dealer or a broker-dealer agent; and

WHEREAS, Section 11-301 of the Act makes it unlawful for any person, in connection with the offer or sale, or purchase of any security, directly or indirectly to: (1) [e]mploy any device, scheme, or artifice to defraud; (2) [m]ake any untrue statement of a material fact or omit

to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; or (3) [e]ngage in any act, practice, or course of business which operates or would operate as a fraud or deceit on any person; and

WHEREAS, the Commissioner has concluded that grounds exist to find that respondent violated Sections 11-301, 11-401 and 11-501 of the Act; and

WHEREAS, respondent contends that the vast majority of commissions that he earned were used to repurchase promissory notes from investors who had purchased promissory notes through him; and

WHEREAS, respondent has provided a sworn financial statement, a copy of which is incorporated by reference, disclosing the approximate amount of commissions he earned for his sale of promissory notes issued by Rolls Royce Ltd. and Morningstar Ltd., net of the amount he used to redeem promissory notes from his clients; and

WHEREAS, respondent's sworn financial statement establishes that he is not financially able to pay fines in this matter; and

WHEREAS, respondent has reviewed a list provided by the Commissioner that he agrees contains substantially all the names of persons to whom he sold promissory notes issued by Rolls Royce, Ltd. and Morningstar Ltd., together with the amounts of their promissory note investments; and

WHEREAS, before the holding of a hearing, without trial or final adjudication of any issue of fact or law, and prior to the issuance of an order in this proceeding, the Commissioner and respondent have reached an agreement whereby respondent consents to the terms of this Order; and

WHEREAS, respondent, without admitting or denying any conclusion of law, except that respondent expressly consents to the Commissioner's jurisdiction in this proceeding pursuant to Section 11-701.1 of the Act, to the Commissioner's findings of fact, and to the terms of this Order; and

WHEREAS, the Commissioner has determined that it is in the public interest to issue this Consent Order.

THE COMMISSIONER FINDS:

JURISDICTION

1. The Securities Commissioner has jurisdiction in this proceeding pursuant to Section 11-701.1 of the Act; and

RESPONDENT

2. Sando resides at 101 Oak Drive, Catonsville, MD 21228.

3. From November 1994 until October 1998, Sando (CRD # 1132151) was registered with the Division as a broker-dealer agent affiliated with Intersecurities. He was registered as an agent of T.H.E. Financial Group, Ltd. from March 1992 until November 1994, with Homestead Capital Corp. from April 1991 until December 1991 and with PFS Investments, Inc. from June 1983 until March 1991.

4. On August 30, 2001, Sando was barred by the NASD from association with any NASD member in any capacity because he engaged in private securities transactions and failed to provide his member firm written notice describing the proposed transactions and his proposed role in the transactions, and stating whether he had received or might receive selling compensation in connection with the transactions.

FINDINGS OF FACTS

5. Rolls Royce, Ltd. (“Rolls Royce”) and Morningstar, Ltd. (“Morningstar”) were two companies that funded an entity known as Cash 4 Titles.

6. According to the Securities and Exchange Commission (“SEC”), Cash 4 Titles operated as a massive Ponzi scheme, raising approximately \$300 million over several years. Through a multi-layered marketing scheme, the promoters sold promissory notes, with the proceeds supposedly funding loans to companies engaged in the car title loan industry and the payday loan industry. According to the SEC, only a small fraction of the money was used for its intended purpose. The promoters allegedly transferred the money to the Cayman Islands, and used the money to pay existing investors, pay commissions and pay personal expenses.

7. On October 15, 1999, the SEC filed a case against several of the promoters of the Cash 4 Titles program, including Charles Richard Homa and Michael Gause. *SEC v. Charles Richard Homa, et al.*, 99-Civ.-10557 (SDNY).

8. Homa and Gause have pled guilty to federal criminal charges arising out of the operation of the Cash 4 Titles program.

9. The nine month promissory notes issued by Morningstar and Rolls Royce promised to pay between 12% and 24% annual return.

10. Between about March 1997 and October 1999, Sando sold promissory notes issued by Morningstar and Rolls Royce to approximately 200 clients, raising more than \$10 million from his clients. In addition, Sando encouraged several associates to sell the promissory notes. Altogether, Sando and his associates sold more than \$20 million in Cash 4 Titles promissory notes.

11. Sando was not registered as a broker-dealer agent after October 6, 1998, but continued to sell approximately \$6 million in additional promissory notes for Rolls Royce and Morningstar.

12. In exchange for his solicitation efforts, Sando received substantial commissions from the issuers, including commissions he earned on sales by his associates.

13. Investors in the Morningstar and Rolls Royce promissory notes were not told that only a part of their investment money would be used to fund the car title loan or the payday loan industry. They were not told that funds of the two companies were commingled. They were not told that the promissory notes were not registered as securities.

14. Sando was not authorized by Intersecurities to sell promissory notes for Rolls Royce and Morningstar. He did not provide written notice to Intersecurities of this outside business activity. Therefore, the sales of the promissory notes were made by “selling away,” a prohibited practice under the Act.

15. The promissory notes issued by Rolls Royce Ltd. and Morningstar Ltd. were not registered and the issuers did not file for an exemption from registration with the Division. The notes do not qualify as a federal covered security.

16. In about March 2003, Sando pled guilty to charges of filing fraudulent income tax returns in violation of 26 U.S.C. § 7206(1). Under the terms of the plea agreement, Sando agreed to pay restitution of \$266,596 to the Internal Revenue Service.

CONCLUSIONS OF LAW

17. The promissory notes issued by Rolls Royce, Ltd. and Morningstar, Ltd. are securities.

18. In connection with the offer and sale of securities issued by Rolls Royce, Ltd. and Morningstar, Ltd., respondent violated Section 11-301 of the Act.

19. In connection with the offer and sale of securities issued by Rolls Royce, Ltd. and Morningstar, Ltd., respondent violated Section 11-401 of the Act.

20. Respondent violated Section 11-501 of the Act in that he offered and sold securities that were neither registered nor exempt from registration in Maryland and that are not federal covered securities.

CONSENT TO CEASE AND DESIST AND OTHER RELIEF

NOW, THEREFORE, IT IS HEREBY ORDERED, and respondent consents and agrees that:

21. Respondent shall be assessed a fine of \$1,000,000 but, in light of respondent's sworn financial statement demonstrating his inability to pay and his other outstanding obligations, the fine is waived.

22. Respondent shall cease and desist from further activities in violation of Sections 11-301, 11-401 and 11-501 of the Act.

23. Respondent is barred from engaging in the securities or investment advisory business in Maryland for or on behalf of others, or from acting as a principal or consultant in any entity so engaged.

CONSEQUENCES OF VIOLATION OF CONSENT ORDER

24. If respondent fails to comply with any term of this Consent Order or if the financial or investor statements are determined to be false in any material respect, the Division may institute administrative or judicial proceedings against respondent to enforce this Consent Order or to sanction respondent for violating an Order of the Commissioner, and may take any

other action authorized under the Act or any other applicable law, including the issuance of fines or penalties as provided by the Act. For the purpose of determining those sanctions, the Findings of Facts and violations of the Act set forth in this Consent Order shall be deemed admitted, and may be introduced into evidence against respondent.

MODIFICATION OF CONSENT ORDER

25. The terms of this Consent Order may only be modified by a subsequent order issued by the Commissioner.

DATE OF THIS ORDER:

SO ORDERED:

Melanie Senter Lubin
Securities Commissioner

CONSENTED TO:

Robert Bruce Sando

On this ____ day of _____, 2005, personally appeared Robert Bruce Sando, signer of the foregoing Consent Order, who did duly acknowledge his signature to be his free act and deed.

Notary Public

My Commission Expires: _____

Seal: