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8
9 **IN THE UNITED STATES DISTRICT COURT**
10 **FOR THE DISTRICT OF ARIZONA**

11 Securities and Exchange Commission,
12 Plaintiff,
13 vs.
14 Raskob Kambourian Financial Advisors,
15 Ltd.,
16 Defendant.

Case No.
COMPLAINT

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18
19 Plaintiff Securities and Exchange Commission (“SEC” or the “Commission”)
20 alleges:

21 **JURISDICTION AND VENUE**

22 1. The Court has jurisdiction over this action pursuant to Sections 209(d),
23 209(e)(1) and 214 of the Investment Advisers Act of 1940 (“Advisers Act”) [15 U.S.C.
24 §§ 80b-9(d), 80b-9(e)(1) & 90b-14].

25 2. Defendant has, directly or indirectly, made use of the means or
26 instrumentalities of interstate commerce, of the mails, or of the facilities of a national
27 securities exchange in connection with the transactions, acts, practices and courses of
28 business alleged in this complaint.

1 material changes to its clients within the allotted period, as it was obligated to do.

2 6. The requirement that Raskob Kambourian both disclose its fee changes and
3 timely deliver the Brochure or the summary of material changes to its clients mattered.
4 The only monthly account statements that Raskob Kambourian’s clients received never
5 explained Raskob Kambourian’s charged fees or any changes to them, and instead only
6 included the charges as a single line item.

7 7. As a result, from May 2019 through July 2022 (the “Relevant Period”),
8 Raskob Kambourian charged its clients a total of about \$1,364,513 more in fees than
9 were expressly authorized under the fee schedules set forth in client agreements, and
10 failed to properly disclose the periodic fee increases to its clients.

11 8. During this time, Raskob Kambourian also negligently failed to keep true,
12 accurate, and current books and records relating to its investment advisory business for a
13 minimum of five years.

14 9. By this conduct, Raskob Kambourian violated Section 206(2) of the
15 Advisers Act, Section 204(a) of the Advisers Act and Rules 204-2 [17 CFR § 275.204-2]
16 (the “Books and Records Rule”), 204-3 [17 CFR § 275.204-3] (the “Brochure Rule”), and
17 Section 206(4) of the Advisers Act and Rule 206(4)-7 [17 CFR § 275.206(4)-7]
18 thereunder (the “Compliance Rule”). With this complaint, the SEC seeks permanent
19 injunctive relief, disgorgement with prejudgment interest, and civil penalties against
20 Raskob Kambourian.

21 **DEFENDANT**

22 10. Defendant Raskob Kambourian is an Arizona corporation with its principal
23 place of business in Tucson, Arizona. It has been registered as an investment adviser
24 with the State of Arizona since October 2023. Raskob Kambourian was registered with
25 the SEC from 1985 until October 2023, when it withdrew its SEC registration.
26 According to Raskob Kambourian’s last Form ADV, Raskob Kambourian has 75 clients
27 and approximately \$77 million in assets under management.
28

THE ALLEGATIONS

A. Raskob Kambourian’s Failure to Adequately Disclose its Higher Fees

11. During the Relevant Period, Raskob Kambourian clients who sought financial planning and investment management services signed a “comprehensive financial planning agreement” (“CFPA”), while Raskob Kambourian clients who sought only investment management services signed an “investment management agreement” (“IMA”).

12. Under the terms of each agreement, Raskob Kambourian was allowed to charge its CFPA and IMA clients an investment management fee, which was calculated as a percentage of each client’s assets under management (“AUM Fee”). Every operative agreement included a schedule of fees that set forth the then-applicable AUM Fee percentages.

13. In addition to the AUM fee, Raskob Kambourian also charged its CFPA clients a separate fee for financial planning services (“FP Fee”). While the FP Fee was nominally a flat fee (rather than a percentage), it also depended on each client’s assets under management. Every operative CFPA included a schedule of fees that set forth the then-applicable FP Fees.

14. Raskob Kambourian generated, on a monthly basis, a Billing Summary for its clients, which set forth the calculations that ostensibly supported the fees that Raskob Kambourian charged to a particular client in a particular month. The fees reflected in the Billing Summary were debited from the client’s custodial account at the beginning of each month.

15. As a general practice, Raskob Kambourian did not send these Billing Summaries to its clients. Instead, the only account statements that clients received were from third-party, brokerage account custodians who were not affiliated with Raskob Kambourian. These statements merely noted the fee amounts debited as a single line item, with no explanation as to how those amounts were calculated.

16. In May 2019, Raskob Kambourian charged AUM Fees and FP Fees that

1 were greater than the amounts expressly authorized under the schedules of fees in its
2 clients' respective agreements. For example, a client with AUM of \$500,000 or less who
3 had agreed, in 2012, to pay an annualized FP Fee of \$1,500 and an annualized AUM Fee
4 of 0.75% of AUM, was, in May 2019, charged an annualized FP Fee of \$3,000 and an
5 annualized AUM Fee of 0.95% of AUM.

6 17. In November 2019, Raskob Kambourian adopted a "tiered" billing system,
7 which increased the AUM Fees paid by clients with more than \$1,000,000 of assets under
8 management. As a result, approximately 17 clients were charged AUM Fees at
9 annualized rates that were six to ten basis points higher than the AUM Fees they had been
10 charged a month prior, and approximately four clients were charged at annualized rates
11 that were 15 to 22 basis points higher than the AUM Fees they had been charged a month
12 prior.

13 18. Raskob Kambourian also increased its AUM Fees and FP Fees on two later
14 occasions, in January 2020 and in April 2021.

15 19. In all, during the Relevant Period, Raskob Kambourian charged its clients
16 \$805,631 more in AUM Fees and \$558,882 more in FP Fees than were expressly
17 authorized under the schedules of fees set forth in its clients' respective agreements,
18 resulting in approximately 59 clients being improperly overbilled by Raskob
19 Kambourian.

20 **B. Raskob Kambourian's Failure to Comply with the Brochure Rule**

21 20. Under the Brochure Rule, as an SEC-registered investment adviser from
22 2010 until October 2023, Raskob Kambourian was required to file an annual amendment
23 to its Brochure, and was further required to deliver, within 120 days of the end of the
24 firm's fiscal year (or within 165 days in 2020), its current Brochure, or a summary of
25 material changes to the Brochure with an offer to deliver the full Brochure, to all of its
26 advisory clients. The purpose of the Brochure Rule, as adopted in 1979 and amended in
27 2010, is to ensure that new, prospective, and existing clients of investment advisers
28 receive clearly written, meaningful, and current disclosures of the business practices,

1 conflicts of interest, advisory services, and fees of the investment adviser.

2 21. During the relevant period, Raskob Kambourian repeatedly failed to
3 comply with the Brochure Rule.

4 22. As one example, after filing its annual amendment with updated schedules
5 of fees and related summary of material changes to its Brochure in March 2019, Raskob
6 Kambourian was further required to deliver the Brochure or a summary of material
7 changes with an offer to deliver the full Brochure to each of its clients by April 30, 2019.
8 Raskob Kambourian failed to do so and thus violated the Brochure Rule as of May 2019.

9 23. Then, in May 2020, and again in March 2021, Raskob Kambourian filed its
10 annual amendments with updated schedules of fees, but failed to comply with the
11 Brochure Rule's requirement that it disclose these revisions in a summary of material
12 changes and then timely deliver either the Brochure or the summary of material changes
13 to all of its advisory clients.

14 24. In March 2022, after being examined by the SEC, Raskob Kambourian
15 finally disclosed in its summary of material changes that it had "made changes to the
16 brochure over the years, including changes to the Firm's fees that it charges." Raskob
17 Kambourian did not, however, deliver the 2022 Brochure to its clients until July 25,
18 2022, again in violation of the Brochure Rule.

19 25. Since Raskob Kambourian did not deliver monthly Billing Summaries to its
20 clients, and since their custodial account statements did not explain how Raskob
21 Kambourian's fees were calculated, compliance with the Brochure Rule was important to
22 Raskob Kambourian's advisory clients. Raskob Kambourian's delivery of a summary of
23 material changes or revised Brochure which disclosed fee increases was a regulatory
24 safeguard that would have enabled clients to learn of the firm's fee increases during the
25 Relevant Period, yet Raskob Kambourian repeatedly violated the Brochure Rule.

26 **C. Raskob Kambourian's Failure to Keep Books and Records**

27 26. The Books and Records Rule required Raskob Kambourian to keep true,
28 accurate, and current books and records relating to its investment advisory business for a

1 minimum of five years, and to provide those records to the SEC upon request.

2 27. Raskob Kambourian failed to maintain and produce books and records
3 required by the Books and Records Rule. In particular, Raskob Kambourian failed to
4 maintain and produce to the SEC, in both 2021 and 2022, copies of all policies and
5 procedures formulated pursuant to the Compliance Rule that were in effect at any time
6 within the prior five years.

7 **D. Raskob Kambourian's Failure to Implement Compliance Policies**

8 28. The Compliance Rule required Raskob Kambourian to adopt and
9 implement written policies and procedures reasonably designed to prevent violations of
10 the Advisers Act and Rules thereunder, such as policies and procedures designed to
11 ensure compliance with the Brochure Rule and the Books and Records Rule.

12 29. Pursuant to Raskob Kambourian's compliance manual, Raskob
13 Kambourian's Chief Compliance Officer was responsible for: (i) ensuring the accuracy
14 and timely filing of Raskob Kambourian's Brochures, as well as for the timely delivery
15 of the Brochures or summaries of material changes to each client pursuant to the
16 Brochure Rule; (ii) implementing and monitoring a system designed to maintain current
17 and accurate versions of the books and records that Raskob Kambourian was required to
18 keep under the Books and Records Rule; (iii) ensuring that Raskob Kambourian's fees
19 were consistent with the Brochure and were accurately calculated in accordance with
20 each client's agreement; and (iv) conducting annual reviews of the adequacy of its
21 policies and procedures.

22 30. Raskob Kambourian failed to implement each of these policies, as: (i) it
23 failed to timely deliver its Brochures or summaries of material changes to its clients from
24 2019 to 2022; (ii) it failed to maintain copies of all policies and procedures formulated
25 pursuant to the Compliance Rule that were in effect at any time within the prior five
26 years; (iii) it imposed fees that were greater than the amounts expressly authorized under
27 the schedules of fees in its clients' respective agreements from 2019 to 2022; and (iv) its
28 CCO failed to conduct annual reviews of the adequacy of its policies and procedures.

1 **E. Raskob Kambourian's Breach of its Fiduciary Duties**

2 31. During the Relevant Period, Raskob Kambourian was a registered
3 investment adviser.

4 32. As an investment adviser, Raskob Kambourian owed its clients a fiduciary
5 duty. An investment adviser's fiduciary duty under the Advisers Act comprises both a
6 duty of care and a duty of loyalty. Under its duty of care, an investment adviser must
7 provide investment advice in the best interest of its client, based on the client's
8 objectives. Under its duty of loyalty, an investment adviser must eliminate or make full
9 and fair disclosure of all conflicts of interest which might incline an investment adviser –
10 consciously or unconsciously – to render advice which is not disinterested. Further, the
11 duty of loyalty includes an affirmative duty of utmost good faith, full and fair disclosure
12 of all material facts, and an affirmative obligation to employ reasonable care to avoid
13 misleading clients. Raskob Kambourian breached its fiduciary duty by failing to fully
14 and fairly disclose the fee increases described above to its advisory clients.

15 33. The fee increases that Raskob Kambourian failed to properly disclose were
16 material and important to its advisory clients because they would have accurately
17 revealed how much clients were being charged for the investment advisory services they
18 received from Raskob Kambourian.

19 34. A reasonable investor would have considered it important when deciding
20 whether to remain a client of Raskob Kambourian's to know that Raskob Kambourian
21 was increasing its FP Fees and AUM Fees.

22 35. Raskob Kambourian knew the fee increases were important information to
23 its advisory clients, having acknowledged in its March 2019 and March 2022 Brochures
24 that its revisions to the fee schedules represented material changes to the Brochures.

25 **F. Raskob Kambourian Acted Negligently**

26 36. Raskob Kambourian failed to act with the level of care that a reasonable
27 investment adviser would have under the same circumstances and was thus negligent
28 when it failed to properly disclose to its clients that it was charging higher FP Fees and

1 AUM Fees than were allowed in their respective CFPAs and IMAs.

2 37. A reasonable SEC-registered investment adviser would have advised its
3 clients of such revisions to its fee schedules.

4 **G. The Applicable Statute of Limitations Has Been Tolled**

5 38. On March 18, 2024, Raskob Kambourian executed a sixty-day tolling
6 agreement, tolling the applicable five-year statute of limitations, *see* 28 U.S.C. § 2462, to
7 June 30, 2024.

8 39. On June 7, 2024, Raskob Kambourian entered into a second tolling
9 agreement to extend the limitations period by another 90 days, through September 28,
10 2024.

11 **FIRST CLAIM FOR RELIEF**

12 **Violations of Section 206(2) of the Advisers Act**

13 40. The SEC realleges and incorporates by reference paragraphs 1 through 39
14 above.

15 41. Defendant Raskob Kambourian, acting as an investment adviser, breached
16 its fiduciary duty by failing to properly disclose to its clients that it was charging higher
17 fees than the clients had agreed to in their advisory agreements.

18 42. Raskob Kambourian negligently, as an investment adviser, directly or
19 indirectly, using the mails or means or instrumentalities of interstate commerce, engaged
20 in transactions, practices, or courses of business which operated or would operate as a
21 fraud or deceit upon any client or prospective client.

22 43. By engaging in the conduct described above, Raskob Kambourian has
23 violated, and unless retrained and enjoined, is reasonably likely to continue to violate,
24 Section 206(2) of the Advisers Act [15 U.S.C. § 80b-6(2)].

25 **SECOND CLAIM FOR RELIEF**

26 **Violations of Section 204(a) of the Advisers Act and Rule 204-2 thereunder**

27 44. The SEC realleges and incorporates by reference paragraphs 1 through 39
28 above.

1 of business which were fraudulent, deceptive, or manipulative by providing investment
2 advice to clients and failing to adopt and implement written compliance policies and
3 procedures reasonably designed to avoid misleading its clients and to make full and fair
4 disclosure of all material facts, as required by the Advisers Act and the rules that the SEC
5 has adopted under the Advisers Act.

6 52. By engaging in the conduct described above, Defendant Raskob
7 Kambourian has violated, and unless restrained and enjoined, is reasonably likely to
8 continue to violate Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(4)] and Rule
9 206(4)-7 thereunder [17 C.F.R. § 275.206(4)-7].

10 **PRAYER FOR RELIEF**

11 WHEREFORE, the SEC respectfully requests that the Court:

12 **I.**

13 Issue findings of fact and conclusions of law that Defendant committed the alleged
14 violations.

15 **II.**

16 Issue a judgment, in a form consistent with Rule 65(d) of the Federal Rules of
17 Civil Procedure, permanently enjoining Defendant, its officers, agents, servants,
18 employees and attorneys, and those persons in active concert or participation with any of
19 them, who receive actual notice of the judgment by personal service or otherwise, and
20 each of them, from violating Section 206(2) of the Advisers Act [15 U.S.C. § 80b-6(2)],
21 Section 204(a) of the Advisers Act [15 U.S.C. § 80b-4] and Rule 204-2 thereunder [17
22 C.F.R. § 275.204-2], Section 204(a) of the Advisers Act [15 U.S.C. § 80b-4] and Rule
23 204-3 thereunder [17 C.F.R. § 275.204-3], and Section 206(4) of the Advisers Act [15
24 U.S.C. § 80b-6(4)] and Rule 206(4)-7 thereunder [17 C.F.R. § 275.206(4)-7].

25 **III.**

26 Order Defendant to disgorge all funds received from its illegal conduct,
27 together with prejudgment interest thereon under Sections 21(d)(5) and 21(d)(7) of the
28 Securities Exchange Act of 1934 [15 U.S.C. §§ 78u(d)(5) and 78u(d)(7)].

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IV.

Order Defendant to pay civil penalties under Section 209(e) of the Advisers Act [15 U.S.C. §80b-9(e)].

V.

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

VI.

Grant such other and further relief as this Court may determine to be just and necessary.

Dated: September 5, 2024

/s/ Daniel S. Lim
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