

Disciplinary and Other FINRA Actions

Firm Expelled, Individual Sanctioned

Thornes & Associates, Inc. Investment Securities (CRD® #40868, Redlands, California) and John Thomas Thornes (CRD #2097878, Registered Principal, Redlands, California) submitted an Offer of Settlement in which the firm was expelled from FINRA® membership and Thornes was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, the firm and Thornes consented to the described sanctions and to the entry of findings that the firm, by and through Thornes, as its president, and Thornes individually, and as broker of record, converted and improperly used a total of \$4,189,770.90 that belonged to two trust accounts, one of which was for the benefit of an elderly widow and the other for awarding educational scholarships. Thornes falsely characterized the transfers of funds from the accounts of both trusts as loans to friends. The purported loans have never been repaid and Thornes did not have any reasonable expectation that the funds would be repaid. The findings stated that Thornes placed his own interests and the interests of his friend, and other third parties on his friend's behalf, ahead of the trust by utilizing high margin and causing the trust brokerage account to make risky unsecured and undocumented fictitious loans to his personal friends. Thornes' actions enabled him to use, control and dissipate the assets of the trusts in a manner that harmed the trusts. The findings also stated that Thornes recommended speculative transactions in both trust brokerage accounts. Thornes recommended that both trust brokerage accounts repeatedly use high levels of margin and liquidate conservative investments to make unsecured and undocumented loans that were inconsistent with the trusts' risk tolerances and investment objectives, largely depleting the funds' assets.

The findings also included that Thornes was the firm's anti-money laundering compliance officer (AMLCO) and was required to monitor for potentially suspicious activities and "red flags." In some customer accounts in which Thornes was the broker of record, there were multiple red flags and third-party wire transfers, in which the firm, by and through Thornes, and Thornes individually, failed to investigate to ensure compliance with the firm's obligations to comply with AML requirements and the firm's procedures. The firm failed to investigate Thornes' participation in suspicious activity in his customer accounts that were the source of the red flags. FINRA found that the firm, by and through Thornes, and Thornes individually, failed to implement policies and procedures that could have been reasonably expected to detect and cause the reporting of suspicious activity or otherwise reasonably designed

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FINRA has taken disciplinary actions against the following firms and individuals for violations of FINRA rules; federal securities laws, rules and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB).

to achieve compliance with the Bank Secrecy Act and implementing regulations. FINRA also found that Thornes acted as the trustee for the widow's trust and received compensation while also serving as the registered representative of the trust. In addition, FINRA determined that Thornes willfully failed to amend his Uniform Application for Securities Industry Registration or Transfer (Form U4) to disclose material information, namely, that he engaged in other business activity as a trustee of the widow's trust. ([FINRA Case #2012030567401](#))

Firm and Individual Fined

Ni Advisors (CRD #134502, Oakland, California) and Sui-Hock Goy (CRD #2821380, Registered Principal, Oakland, California) submitted a Letter of Acceptance, Waiver and Consent in which the firm and Goy were censured and fined \$13,750, jointly and severally. A lower fine was imposed after considering, among other things, the firm's revenues and financial resources. Without admitting or denying the findings, the firm and Goy consented to the described sanctions and to the entry of findings that they failed to supervise, provide written approval for, or monitor the registered investment advisory (RIA) activities of the firm's general securities representative (GS) and general securities principal (GP). The findings stated that the representative conducted 1,445 securities transactions through a RIA that was not associated or affiliated with the firm. The findings also stated that the firm and Goy permitted representatives to improperly maintain an association with the firm even though they did not conduct any securities or investment banking-related business on the firm's behalf. A representative registered with the firm, acted through Goy, as a registered options principal (OP), even though the firm was not allowed to engage in an options business and never engaged in the options business. The findings also included that the firm, acting through Goy, sold some 529 Plans without registering the firm with the Municipal Securities Rulemaking Board (MSRB), as required. FINRA found that the firm, acting through Goy, permitted one of its registered representatives, who was only registered as an investment company products variable contracts representative (IR), to sell a 529 Plan. As a result, the firm and Goy willfully violated MSRB Rules A-12 and G-3(b)(iii) (B). ([FINRA Case #2011025663501](#))

Firms Fined

Cheevers & Company Inc. (CRD #31312, Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$25,000 and required to revise its written supervisory procedures (WSPs) regarding sale transactions, clearly erroneous trade filing, the Order Audit Trail System (OATS™) and sub-penny pricing increments. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it incorrectly designated as ".PRP" to the FINRA/NASDAQ Trade Reporting Facility (FNTRF) last sale reports of transactions in designated securities.

The findings stated that the firm transmitted reports to OATS and failed to submit the Not Held (NH) special handling code or failed to submit the routing firm market participant identifier (MPID) and correct member type code (M). The findings also stated that the firm failed to provide written notification disclosing to its customers its correct capacity in transactions, incorrectly disclosed its capacity as both agent and principal, or failed to disclose its capacity on the customer confirmation. The firm incorrectly identified the execution price as an average price, and on one occasion, failed to disclose the correct price on the customer confirmation. The findings also included that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and/or FINRA rules. The firm's WSPs failed to provide for minimum requirements for adequate supervisory procedures in sale transactions, clearly erroneous trade filing, OATS and sub-penny pricing increments. The firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its WSPs concerning trade reporting, sale transactions, OATS and electronic communication. ([FINRA Case #2011026055201](#))

Citigroup Global Markets Inc. (CRD #7059, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$15,000 and ordered to pay \$21,250.50, plus interest, in restitution to the counter-party involved in three transactions. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it effected transactions while trading halts were in effect for various securities, including the transactions that require restitution. ([FINRA Case #2011029289601](#))

Financial West Investment Group, Inc. dba Financial West Group (CRD #16668, Westlake Village, California) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$35,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it used disclosure forms to inform customers of various features of deferred variable annuities, and did not provide accurate disclosures to customers in some of the variable annuity transactions and exchanges FINRA reviewed. The findings stated that the forms provided to certain customers to support the firm's disclosures and suitability recommendations contained inaccuracies when compared to the disclosures in the variable annuity prospectuses, including: discrepancies between the amount of mortality and expense fees; inconsistencies between the surrender schedule, surrender charges and related withdrawal charges; and incorrect amounts reflected as the total rider and/or benefit fees. The findings also stated that the firm failed to have adequate WSPs in place to verify that the firm, by and through its registered representatives, made accurate disclosures of certain fees and charges in connection with variable annuity transactions. The firm's WSPs required the firm's designated principal and its designated supervisor to review the customer application and forms to determine that the paperwork was in good order, and the variable contract was a suitable investment for the client. However, the firm's WSPs failed to require that the firm review the forms in connection with variable annuity transactions to ensure

that the forms accurately disclosed to customers certain fees and charges consistent with the respective variable annuity prospectus. The findings also included that the firm's procedures mandated that at least weekly, depending on branch activity, that all emails flagged by its electronic storage media vendor be reviewed by an Office of Supervisory Jurisdiction (OSJ) branch manager or designated principal, unless the email was obvious spam, a newsletter or a large legal document such as a prospectus. The firm did not comply with its existing policies and procedures for review of email. Consequently, the firm failed to implement and enforce its WSPs for reviewing email. ([FINRA Case #2010021133001](#))

Global Arena Capital Corp. (CRD #16871, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$30,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it experienced a technical failure that impacted the computers of two registered representatives as well as the firm's back-up server. During an examination, FINRA requested email communications involving the two representatives, among other things, but the firm was unable to provide the email communications until a later date. As a result, the firm failed to retain, in an easily accessible place, incoming or outgoing emails for the representatives during certain periods. The findings stated that the firm failed to report, or reported late, some customer complaints. The firm was aware of a few of these complaints through flags generated by term-based automatic reviews of email systems or through random email review. The findings also stated that during two years, the firm failed to timely update its Form U4 and Uniform Termination Notice for Securities Industry Registration (Form U5) filings to disclose reportable events with respect to registered representatives. The findings also stated that the firm's supervisory controls failed to specify procedures with respect to evidencing its review identifying producing managers subjected to heightened security, and notifying FINRA of its reliance on the limited size and resource exception. The findings also included that the firm failed to implement its supervisory controls with respect to one year's chief executive officer (CEO) certification, which failed to contain certain language required in NASD Interpretative Material 3013; its supervisory control reports for two years, which failed to detail adequately how it tested its supervisory policies and procedures; filing notice of its reliance on the limited size and resource exception; and evidencing its communications with customers to confirm third-party checks and wires. ([FINRA Case #2009016141101](#))

Goldman Sachs Execution & Clearing, L.P. (CRD #3466, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$25,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to submit more than 29.5 million Reportable Order Events (ROEs) to OATS, which represented an aggregate number of failed reports for five of the firm's MPIDs and a reporting failure rate per MPID during the review period ranging from 3.66 percent to 99.55 percent. ([FINRA Case #2011029700401](#))

Jefferies LLC (CRD #2347, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$15,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it had fail-to-deliver positions at a registered clearing agency in an equity security that resulted from short sales, and did not close the fail-to-deliver positions by purchasing or borrowing securities of like kind and quantity within the time frame prescribed. The findings stated that the firm had fail-to-deliver positions at a registered clearing agency in an equity security that resulted from long sales, and did not close the fail-to-deliver positions by purchasing or borrowing securities of like kind and quantity within the time frame prescribed. The findings also stated that the firm had a fail-to-deliver position at a registered clearing agency in an equity security that resulted from a sale of a security that the seller was deemed to own pursuant to §242.200 and intended to deliver once all restrictions on delivery had been removed, and did not close the fail-to-deliver position by purchasing or borrowing securities of like kind and quantity within the time frame prescribed. The findings also included that in numerous instances involving an equity security, the firm accepted short sale orders from another person, or effected short sales for its own account, without first borrowing the security, or entering into a *bona fide* arrangement to borrow the security, and submitted the short sales for clearance and settlement to a participant that had a fail-to-deliver position at a registered clearing agency in such security that had not been closed out in accordance with the requirements of paragraph (a) of Securities and Exchange Commission (SEC) Rule 204. ([FINRA Case #2009018900801](#))

J.P. Turner & Company, L.L.C. (CRD #43177, Atlanta, Georgia) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$37,500, ordered to pay \$11,116.31, plus interest, in restitution to customers, and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it sold (bought) corporate bonds to (from) customers and failed to sell (buy) such bonds at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to each bond at the time of the transaction, the expense involved and that the firm was entitled to a profit. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and/or FINRA and SEC rules. The firm's WSPs failed to provide for minimal requirements in supervisory system, procedures and qualifications, order handling, best execution, trade reporting, sale transactions, other trading rules, OATS, other rules and use of multiple MPIDs. The findings also stated that the firm failed to provide documentary evidence showing that it performed the supervisory reviews set forth in its WSPs regarding SEC Rule 611 of Regulation NMS. The findings also included that the firm failed to make publicly available, for a month, a report on its routing of non-directed orders in covered securities during that quarter related to exchange-listed options.

FINRA found that in transactions for or with a customer, the firm failed to use reasonable diligence to ascertain the best inter-dealer market, and failed to buy or sell in such market so that the resultant price to its customers was as favorable as possible under prevailing market conditions. FINRA also found that the firm purchased municipal securities for its own account from customers and/or sold municipal securities for its own account to customers at an aggregate price (including any markdown or markup) that was not fair and reasonable, taking into consideration all relevant factors, including the best judgment of the broker, dealer or municipal securities dealer as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction, the expense involved in effecting the transaction, the fact that the broker, dealer or municipal securities dealer is entitled to a profit, and the total dollar amount of the transaction. In addition, FINRA determined that the firm failed to report to the Trade Reporting and Compliance Engine® (TRACE®) transactions in TRACE-eligible securities within 15 minutes of the execution time and failed to report to TRACE the correct trade execution time for transactions in TRACE-eligible securities. ([FINRA Case #2009020765501](#))

Keefe, Bruyette and Woods, Inc. (CRD #481, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$40,000 and required to revise its WSPs regarding equity trade reporting. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report to the FNTRF the correct related market center code in approximately 4.5 million instances relating to more than 48,000 orders. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning equity trade reporting. ([FINRA Case #2011026164601](#))

LavaFlow, Inc. (CRD #120444, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$180,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to execute against delivered orders up to the firm's displayed, as well as its reserve, size. The firm executed over eight million short sale transactions and failed to report each of the transactions to the FNTRF with a short sale modifier. ([FINRA Case #2009018970201](#))

McNally Financial Services Corporation (CRD #121196, San Antonio, Texas) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$15,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it recommended and sold steepeners that are complex, non-conventional products, to its customers. The findings stated that the sale of steepeners was a significant part of the firm's business. Nevertheless, the firm did not have any specific supervisory systems or procedures regarding the sale of steepeners but relied on its general supervisory system to supervise transactions in steepeners. The firm's general supervisory system was not sufficiently tailored to address the unique features and risks

involved with these structured products, such as long-term holding periods, the callable nature of the product, illiquid secondary market and variable interest rates that can be zero. Similarly, other than defining structured products, the firm's WSPs did not provide tailored procedures relating to steepeners. ([FINRA Case #2011025617101](#))

National Securities Corporation (CRD #7569, Seattle, Washington) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$40,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it conducted a securities business while it was net-capital deficient. The findings stated that the net-capital deficiencies, as well as related books and records violations, stemmed from the firm's failure to timely and accurately post expenses and receivables to its general ledger and accrue certain expenses, and correctly reflect intercompany transfers. The findings also stated that the firm, through its financial and operations principal (FINOP), used the general ledger and sub-ledgers, which were updated by another individual, to compute its net capital. Therefore, any inaccuracies in the general ledger and sub-ledgers resulted in inaccurate net capital computations and the resulting Financial and Operational Combined Uniform Single (FOCUS) Report filings. During the period, the firm made numerous late postings to its general ledger and failed to timely post all deposits and withdrawals from its bank accounts. The firm failed to accrue, on a daily basis, expenses and receivables related to payroll, commissions payable, telecommunications, general expenses, clearing fees and commissions receivable. The findings also included that the firm selectively reduced payables to and receivables from affiliates and made corresponding adjustments to additional paid-in capital. The payable was not actually forgiven by the affiliate, as evidenced by the lack of corporate minutes concerning the transaction and subsequent payments to the forgiving affiliate. Thus, the firm booked transactions for which there was no economic substance or support. The firm's treatment of intercompany transactions resulted in the overstatement of its net capital for the last business day of each month for 10 months. FINRA found that in connection with the untimely and inaccurate financial entries, the firm failed to file the requisite notifications of its net capital deficiencies at certain times and filed inaccurate monthly FOCUS Reports for the period. ([FINRA Case #2011026724701](#))

Newedge USA, LLC (CRD #36118, Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$10,000 and required to revise its WSPs regarding compliance with SEC Rules 611(a)(1), (a)(2), and (c) of Regulation NMS. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to establish, maintain, and enforce written policies and procedures reasonably designed to prevent trade-throughs of protected quotations in national market system (NMS) stocks that do not fall within any applicable exception, and if relying on an exception, are reasonably designed to assure compliance with the terms of the exception. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with SEC Rules 611(a)(1), (a)(2) and (c) of Regulation NMS. ([FINRA Case #2010023727301](#))

Olympia Asset Management, LTD. nka Columbus Advisory Group, LTD. (CRD #126331, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$22,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it employed research analysts and issued equity research reports; and prior to undertaking these activities, it did not file for and obtain approval of a change in business operations. The findings stated that some of the firm's equity research reports failed to provide required disclosures and failed to prominently disclose the firm name. The firm's website inaccurately referred to an operating unit of the firm as the broker-dealer, failed to make clear which services the firm offered, and failed to hyperlink to the Securities Insurance Protection Corporation (SIPC). The website also improperly implied that regulators endorsed the services provided by the firm's clearing provider and failed to hyperlink to FINRA. The findings also stated that the firm's WSPs failed to establish reasonable criteria to identify registered representatives who should be placed under heightened supervision and reasonable procedures for how to supervise someone on heightened supervision, failed to address supervisory responsibilities for allocation of exercise assignment notices, and failed to address the types of disclosures that were lacking in published research reports. The findings also included that the firm failed to establish written policies and procedures reasonably designed to prevent the misuse of material, non-public information between the firm and an affiliated hedge fund co-located with the firm, as required by the Securities Exchange Act of 1934. ([FINRA Case #2010020992501](#))

Oppenheimer & Co. Inc. (CRD #249, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$17,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it executed orders for sales pursuant to SEC Rule 144 and failed to mark each as a short sale. The findings stated that the firm had a few fail-to-deliver positions at a registered clearing agency in an equity security that resulted from long-sale transactions, and failed to timely close out the fail-to-deliver positions by purchasing securities of like kind. ([FINRA Case #2009018261301](#))

Scottrade, Inc. (CRD #8206, St. Louis, Missouri) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$100,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to conduct an independent inquiry to determine whether shares of a company's stock a customer deposited were freely tradable. The findings stated that the customer was a corporate insider, control person of the company and served as the company's chief financial officer, general counsel and Board of Directors member during the period that he sold the stock through accounts at the firm. The customer deposited 1,286,500 shares of the stock in his family accounts, liquidated most of the shares soon after each transfer, and then wired out all of the sales proceeds. The shares deposited and controlled by the customer alone constituted more than 16 percent of the total shares of the stock that were outstanding. The 1,259,600 shares deposited and sold by two additional

customers' accounts constituted an additional 16 percent of the company's total shares outstanding. The findings also stated that the stock was not properly issued pursuant to the SEC S-8 registration and as a result, the shares were restricted from resale, absent an applicable exemption from registration. No exemptions applied to the resales. The firm failed to undertake sufficient efforts to ascertain whether the stock could be properly sold. Without having obtained information regarding the facts and circumstances surrounding the customer and the other customers' possession of the stock, the firm did not satisfy its duty to conduct a reasonable inquiry that is a crucial part of the brokers' exemption. The findings also included that the firm did not establish and maintain adequate supervisory systems and procedures reasonably designed to comply with Section 5 of the Securities Act of 1933. The firm's WSPs for compliance with Section 5 were limited to two short paragraphs concerning the sale of control or restricted stock.

FINRA found that the firm's procedures did not address compliance generally with Section 5 and were inadequate in setting forth the circumstances under which the firm should inquire into the registration or exemption status of securities in customer accounts. The procedures in place did not specifically list the factors that the firm was required to evaluate or consider in order to determine whether it needed to inquire further before allowing potentially unregistered securities to be sold by a customer. FINRA also found that firm customers engaged in the unregistered distribution of more than 2.4 million shares of the company's stock which generated proceeds to them of over \$8.3 million. During the unregistered distribution of shares of the company's stock, the firm's personnel incorrectly assumed that the shares were freely tradable, without restriction, primarily because the shares were received into the customers' accounts directly from a transfer agent and the customers disclosed to the firm that they were not insiders. In allowing the customers to sell their shares, the firm did not consider all of the factors relevant to a determination of whether the shares were unrestricted and eligible for resale. ([FINRA Case #2010025332401](#))

SG Americas Securities, LLC (CRD #128351, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$35,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it reported TRACE-eligible transactions to TRACE with inaccurate data, including incorrect capacity, execution time, volume, buy/sell and contra-side. The findings stated that the firm inaccurately documented TRACE-eligible transactions. Inaccurate data included incorrect capacity, execution time and price. The findings also stated that TRACE-eligible transactions generated inaccurate customer confirmations, which included incorrect capacity and incorrect price. ([FINRA Case #2012030370301](#))

Sixpoint Partners LLC (CRD #146067, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it conducted a securities business while failing to maintain

its minimum net capital requirement. The findings stated that the firm's net capital violations resulted from improperly treating as allowable certain assets that had been commingled with an unregistered affiliate's assets. ([FINRA Case #2012030433001](#))

Souza Barros Securities, Inc. (CRD #149032, Miami, Florida) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$12,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to transmit ROEs to OATS on numerous business days. The firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its WSPs concerning OATS reporting. ([FINRA Case #2011029697601](#))

Sunset Financial Services, Inc. (CRD #3538, Kansas City, Missouri) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$200,000 and ordered to disgorge ill-gotten gains of gross dealer concessions and due diligence fees in the amount of \$84,253.03, plus interest, as partial restitution to customers. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it sold private placements as an unaffiliated broker-dealer. A third-party diligence report on one investment fund sold as a private placement pursuant to Regulation D of the Securities Exchange Act alerted the firm to an increased default rate for the loan portfolio but the firm failed to adequately follow up on this red flag and did not re-evaluate the appropriateness of retaining the fund on its approved private placement fund. The firm failed to follow up on another red flag when the fund suspended fund redemptions and stopped accepting new investors due to financial difficulties. The fund suspended monthly distribution payments to investors. The firm received approximately \$1,140,000 from the sale of these funds, excluding additional trail concessions. The findings stated that a second investment fund was also sold only to accredited investors as a Regulation D private placement for which the firm received approximately \$45,042 for these sales. The firm was aware a third-party due diligence provider was researching and drafting a due diligence report but placed the fund on its approved list, without waiting for the report to be completed and despite the other fund's previous financial difficulties. The findings also included that the firm lacked a supervisory system reasonably designed to monitor its due diligence on approved private placements, at the time the product was approved and in response to subsequent negative information and red flags, regarding private placements. The firm delegated nearly all responsibilities relating to private placements to its vice president but did not have any procedures to follow up on whether he was properly performing his responsibilities.

FINRA found that the firm did not have WSPs for private placements until a later date. Its adopted procedures did not tailor a checklist to a specific product and did not address continuing due diligence for products previously approved. The system of supervising suitability was deficient in that the vice president simultaneously recommended private placements to customers through his discussions with registered representatives, while at the same time reviewing the suitability of these recommendations. FINRA also found

that the firm did not create sales materials for any private placements but relied on its registered representatives to forward sponsor-created sales materials to the firm's compliance department for prior review. Without reviewing this information, the firm was unable to monitor the dissemination of inaccurate or misleading material to its registered representatives that might result in the communication of misinformation to customers. Some representatives incorrectly assumed sales materials sent directly from the issuer had already been approved and provided the unapproved materials to customers. In addition, FINRA determined that private placement sponsors provided materials to representatives during seminars and branch office visits. Some of these materials were internal use materials, not intended for distribution to customers. Firm supervision of these materials was deficient as the firm lacked any policy or procedures for their review. ([FINRA Case #2011026915701](#))

Sunset Financial Services, Inc. (CRD #3538, Kansas City, Missouri) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$20,000. The fine shall be due and payable immediately. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to establish and maintain a supervisory system, including written procedures, regarding the sale of non-traditional exchange-traded funds (ETFs) that was designed to achieve compliance with applicable NASD and FINRA rules. The findings stated that the firm permitted its registered representatives to recommend and sell non-traditional ETFs to its customers, but its WSPs did not address non-traditional ETFs in any fashion. The firm did not conduct due diligence of non-traditional ETF products before allowing their representatives to recommend them to customers. Because of the risks and the inherent complexity of the products, FINRA advised broker-dealers and their representatives that non-traditional ETFs are typically not suitable for retail investors. The findings also stated that despite the unique features and characteristics of non-traditional ETFs, including notable risk factors, the firm did not provide its representatives or supervisors with any training or other guidance regarding whether and when non-traditional ETFs might be appropriate for their customers. The firm did not place any restrictions on its customers' ability to trade non-traditional ETFs into or out of their accounts. The firm did not create or obtain any exception reports or other tools to monitor either the length of time that customers held open positions in non-traditional ETFs or the losses occurring in those positions. ([FINRA Case #2012030789001](#))

Tradition Asiel Securities Inc. (CRD #28269, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$90,000 and required to revise its WSPs regarding municipal trade reporting. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report information regarding purchase and sale transactions effected in municipal securities to the Real-time Transaction Reporting System (RTRS) in the manner prescribed by MSRB Rule G-14 RTRS Procedures and the RTRS Users Manual; the firm failed to report information about such transactions within 15 minutes of the

trade time to an RTRS Portal. The findings stated that the firm failed to report the correct trade time to the RTRS in municipal securities transaction reports and failed to show the correct execution time on brokerage order memoranda. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and MSRB rules concerning municipal trade reporting. The findings also included that the firm failed to accept or decline in the OTC Reporting Facility (OTCRF) transactions in reportable securities within 20 minutes after execution, which represented approximately 10 percent of all transactions the firm had an obligation to accept or decline during the review period. ([FINRA Case #2011028400701](#))

Tullett Prebon Financial Services LLC (CRD #28196, Jersey City, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$65,000 and required to revise its WSPs regarding the prevention of trade-throughs of protected quotations in NMS stocks that do not fall within any applicable exception, and if relying on an exception, are reasonably designed to assure compliance with the terms of the exception. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to establish, maintain and enforce written policies and procedures reasonably designed to prevent trade-throughs of protected quotations in NMS stocks that do not fall within any applicable exception; and if relying on an exception, are reasonably designed to assure compliance with the terms of the exception. The findings stated that in some instances, the firm failed to append the applicable trade report modifier to the last sale report to indicate that the trade, which would have been a trade-through of a protected quotation but for an exception or exemption from SEC Rule 611, qualified for an exception or exemption from SEC Rule 611; and the specific modifier indicating the applicable exception or exemption that the firm was relying upon. The findings also stated that the firm failed to show the time the order was received and the time of entry on some brokerage order memoranda. ([FINRA Case #2009017641401](#))

The Vertical Group, LLC (CRD #104353, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$30,000 and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to record an accurate long/short indicator for sale transactions on its trading ledger. The firm inaccurately marked long sale orders as short. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and/or FINRA rules addressing minimum requirements for adequate WSPs in SEC Rule 10b-21; entering quotes for OTC securities into multiple real-time quote systems; general recordkeeping; OATS (clock synchronization); monitoring of electronic communications; and best execution (customer orders executed as agent). ([FINRA Case #2010025772302](#))

Wells Fargo Investments, LLC (CRD #10582, San Francisco, California) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$35,000 and ordered to pay \$17,384.81, plus interest, in restitution to customers. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it purchased agency securities for its own account from customers and/or sold agency securities for its own account to customers in the course of its business at an aggregate price that was not fair and reasonable; and in so doing failed to observe high standards of commercial honor and just and equitable principles of trade. ([FINRA Case #2011026083001](#))

Wilson-Davis & Co., Inc. (CRD #3777, Salt Lake City, Utah) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$27,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to provide, in connection with transactions where the firm acted as principal, written notification to its customers that the price disclosed on the confirmation was the reported trade price of the transactions. The firm failed to provide written notification disclosing to its customers that transactions were executed at an average price. The firm, on one occasion when it acted as principal for its account, failed to provide written notification disclosing to its customer the correct reported trade price. The firm incorrectly marked short sale executions as long on the trading ledger in numerous instances. The findings stated that the firm made available a report on the covered orders in NMS securities it received for execution from any person, which included incomplete information as the firm failed to classify an order in some instances. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and/or FINRA rules addressing minimum requirements for adequate WSPs in order handling (disclosure of order routing information, market orders, and disclosure of order execution information), sale transactions (prompt delivery of sale transactions, refraining from accepting short sale orders without pre-borrowing, and naked short selling anti-fraud rule), other rules (monitoring electronic communications) and use of multiple MPIDs. The findings also included that the firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its WSPs concerning supervisory system, procedures and qualifications (registration); anti-intimidation/coordination (educating personnel); sale transactions (order marking); other trading rules (trading halts, erroneous trade filings-controls and supervisory processes to ensure accuracy and integrity of orders, accurate and appropriate clearly erroneous trade filings, and detection of potential order entry errors) and other rules (sub-penny orders smaller than \$.01 and \$.0001). ([FINRA Case #2010021604701](#))

Individuals Barred or Suspended

Vincent Au (CRD #2005219, Registered Principal, New York, New York) submitted an Offer of Settlement in which he was fined \$20,000, suspended from association with any FINRA member in any capacity for 30 days, and suspended from association with any FINRA member in any principal capacity for an additional five months. Without admitting or denying the allegations, Au consented to the described sanctions and to the entry of findings that he failed to enforce his member firm's procedures by failing to respond to red flags of suspicious activity. The findings stated that the firm's AML program was also inadequate where Au permitted his role as the firm's AMLCO to become compromised by his role as the representative handling accounts engaging in large volumes of transactions through which low-priced stocks were received into and sold in accounts at the firm. When the clearing firm brought red flags of suspicious customer activity to his attention, Au ignored the red flags and did not take reasonable steps to investigate, and if necessary, report the activity. Au acted as an advocate for his customer and attempted to convince the clearing firm to clear the trades. The clearing firm provided Au with extensive information concerning a customer's background and information with respect to shares of a security, all of which Au knew or could have discovered with minimal diligence. Rather than investigate the clearing firm's concerns and, if necessary, report any suspicious activity, Au appealed to the clearing firm's management to reverse its decision not to accept the securities. Despite the clearing firm's rejection of the shares, the customer delivered a total of 2.7 billion shares in certificate form to customer-controlled accounts. When the clearing firm reiterated its previously expressed AML-related concerns about the shares to Au, Au again argued that the share deposits should be accepted. The clearing firm did not reject the shares, which the customer, through Au, immediately liquidated. The customer then attempted to deposit approximately 17 billion shares into a customer-controlled account at the firm. The clearing firm again expressed AML-related concerns to Au in a memo, summarizing AML concerns and emphasizing red flags. Rather than investigate and report suspicious behavior, Au responded the same day and argued that AML concerns were no longer valid and the suspicious transactions should be allowed because, otherwise, the firm's business would suffer. The weaknesses of the firm's AML program, which Au was responsible for as the firm's AMLCO, were highlighted by the firm's failure to respond to red flags brought to Au's attention by the clearing firm. Instead of conducting investigations into the second clearing firm's concerns and, if necessary, reporting suspicious activity, Au acted as an advocate in arguing to the clearing firm that the customer's business should be accepted.

The findings stated that Au sold 50 million unregistered shares of sub-penny stock into the open market from a firm proprietary account. Au obtained a single certificate for 50 million shares in the name of the firm from the issuer. Au then caused the shares to be deposited into a brokerage account in the firm's name and liquidated on the open market even though there was neither a registration statement in effect for the securities nor an applicable exemption from registration. Au knew or should have known that when

he deposited and liquidated the shares in the firm's name that the shares were not registered and were not subject to an exemption from registration. There were numerous red flags that should have alerted Au to the share's registration status. The findings also stated that Au permitted a statutorily disqualified person to associate with the firm and improperly engage in various activities at the firm requiring registration. The findings also included that Au caused his firm to fail to report statistical and summary information for complaints received from customers that he was the broker handling the accounts. Au was responsible for the failures to make the Rule 3070 filings based on his role as the firm's chief compliance officer (CCO).

The suspension in any capacity is in effect from August 19, 2013, through September 17, 2013. The suspension in any principal capacity is in effect from September 18, 2013, through February 17, 2014. ([FINRA Case #2009016312701](#))

Aaron Kane Barnhardt (CRD #2139957, Registered Principal, Culver City, California) submitted an Offer of Settlement in which he was suspended from association with any FINRA member in any capacity for two years. Without admitting or denying the allegations, Barnhardt consented to the described sanction and to the entry of findings that he failed to appear for his on-the-record testimony as FINRA requested concerning possible violation of securities laws and FINRA rules. The findings stated that Barnhardt's failure to testify impeded FINRA's ability to investigate this matter.

The suspension is in effect from August 5, 2013, through August 4, 2015. ([FINRA Case #2012033432101](#))

Ian Christopher Belderes (CRD #4709318, Registered Representative, Del Mar, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Belderes' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Belderes consented to the described sanctions and to the entry of findings that he was charged with two counts of felony criminal violations of the California Health and Safety Code, and failed to file an amendment to his Form U4 to report the charges within 30 days of being charged. The findings stated that the firm learned of the felony charges during the course of its exercise of heightened supervision over Belderes. The firm filed an amended Form U4 on Belderes' behalf to report the charges. Despite the opportunity to provide information to the firm at that time, Belderes did not cooperate with the firm or participate in the filing.

The suspension is in effect from July 15, 2013, through January 14, 2014. ([FINRA Case #2012032252801](#))

Carl Max Birkelbach (CRD #1177843, Registered Principal, Chicago, Illinois) submitted an Offer of Settlement in which he was suspended from association with any FINRA member in any capacity for two years. In light of Birkelbach's financial status, no monetary sanctions have been imposed. Without admitting or denying the allegations, Birkelbach consented to the described sanction and to the entry of findings that he recommended and executed transactions in customers' accounts that were excessive and unsuitable for the customers based on their investment objectives, financial situation and needs, and lack of knowledge and experience necessary to understand the risks associated with the recommended transactions. The customers gave Birkelbach discretion to effect trades and he used his discretion to place all the trades in the accounts that were created for the benefit of the customers. The findings stated that Birkelbach, in connection with the purchase or sale of a security, willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder.

The suspension is in effect from July 15, 2013, through July 14 2015. ([FINRA Case #2011025843301](#))

Ann Wilcox Black aka June Ann Wilcox (CRD #1085679, Registered Representative, Germantown, Maryland) submitted a Letter of Acceptance, Waiver and Consent in which she was suspended from association with any FINRA member in any capacity for one month. In light of Black's financial status, no monetary sanctions have been imposed. Without admitting or denying the findings, Black consented to the described sanction and to the entry of findings that she borrowed a total of \$5,500 from a member firm customer. The findings stated that the loans were interest free and did not have any terms of repayment. The firm's procedures prohibited registered representatives from borrowing money from a customer, and Black did not seek or obtain the firm's approval before entering into the loans. Black gave the customer a check for \$500 in repayment for the first loan. However, the \$5,000 loan remains outstanding, and Black has not made any payments to the customer for that loan.

The suspension was in effect from July 15, 2013, through August 14, 2013. ([FINRA Case #2012033063001](#))

Stephanie Ann Boudreaux (CRD #4781549, Registered Representative, Houston, Texas) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Boudreaux consented to the described sanction and to the entry of findings that she converted funds from a bank, an affiliate of her member firm. The findings stated that Boudreaux was employed with the affiliate as a client service associate. Boudreaux used her access to the bank's systems and credited \$20,060 in fictitious fee reversals to her personal bank accounts. Boudreaux did not have the bank's permission or authority to take these funds. The findings also stated that Boudreaux failed to provide information and documents FINRA requested in connection with an investigation. ([FINRA Case #2012034715801](#))

Wade Harlow Bradley (CRD #1557356, Registered Principal, Carlsbad, California) submitted an Offer of Settlement in which he was fined \$7,500 and suspended from association with any FINRA member in any capacity for one month. The fine must be paid either immediately upon Bradley's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the allegations, Bradley consented to the described sanctions and to the entry of findings that through his member firm, he offered and sold membership units in a development stage company that was created to produce a motion picture. The findings stated that the firm offered the entity's units on a best-efforts basis in a mini-max offering. The offering, as modified, provided that funds could not be released from the escrow account until a minimum of \$4.5 million was raised. The findings also stated that Bradley, acting through the firm, willfully facilitated the release of escrowed funds even though the minimum had not been raised; continued to offer and sell the entity's units even though he knew, or was reckless in not knowing, that escrowed funds had been released when the minimum had not been raised; and offered and sold the units after the termination, thereby rendering the representations in the entity's private placement memorandum (PPM) false and misleading. The findings also included that Bradley was the firm's president and CCO, and was responsible for enforcing its WSPs. Bradley failed to ensure that the offering was terminated when the minimum had not been met, failed to provide customers with the ability to receive a refund when permission to extend the offering was sought, failed to ensure that customer funds remained in escrow until the contingencies were met or the offering was terminated, and failed to ensure that investor monies were returned when the entity's offering failed to meet its contingencies prior to the termination.

The suspension was in effect from August 5, 2013, through September 4, 2013. ([FINRA Case #2011025780101](#))

George Bussanich (CRD #4552414, Registered Representative, Upper Saddle River, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 30 days. The fine must be paid either immediately upon Bussanich's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Bussanich consented to the described sanctions and to the entry of findings that during a routine branch audit, his firm discovered that he was engaged in an outside business activity. The findings stated that Bussanich subsequently admitted to working for and being compensated by his father's physical therapy business throughout the entire duration of his registration at the firm. The firm required Bussanich to complete annual compliance attestations. The annual compliance attestations for two years reflected that Bussanich failed to disclose his outside business activities. The findings also stated that the firm's WSPs required that any outside business activity be disclosed and approved by the firm prior to a registered representative engaging in that business activity.

The suspension was in effect from July 15, 2013, through August 13, 2013. ([FINRA Case #2012031107102](#))

Steven Paul Capozza (CRD #2099772, Registered Principal, Rancho Santa Fe, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$7,500, jointly and severally with a member firm, suspended from association with any FINRA member in a FINOP capacity for one year, and required to requalify by exam as a FINOP by passing the Series 27 examination, prior to either acting in that capacity with a member firm or registering with any FINRA member as a FINOP following his suspension. Without admitting or denying the findings, Capozza consented to the described sanctions and to the entry of findings that his member firm, by and through Capozza, conducted transactions in securities while failing to maintain its required minimum net capital. The findings stated that the net capital deficiencies were caused by the firm failing to properly accrue liabilities and improperly booking a receivable. The findings also stated that the firm, by and through Capozza, failed to make and keep current accurate books and records, in that the firm's general ledger was materially inaccurate for a period. The firm's general ledger did not accurately reflect certain assets, liabilities and expense accounts. The findings also included that acting through Capozza, the firm failed to make and keep current accurate books and records, in that the firm had net capital computations and records that were materially inaccurate and overstated the firm's net capital, in part, due to the deficiencies in net capital and the failure of the firm to have an accurate general ledger. FINRA found that the firm, by and through Capozza, failed to timely notify the SEC and FINRA in accordance with Securities Exchange Act Rule 17a-11 (d), when FINRA notified the firm, on separate occasions, that it failed to make and keep current certain books and records, including ledgers as of certain dates.

The suspension is in effect from July 15, 2013, through July 14, 2014. ([FINRA Case #2012034932701](#))

Jill Meredith Carr (CRD #5353409, Registered Representative, Ellicott City, Maryland) submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$10,000 and suspended from association with any FINRA member in any capacity for two years. The fine must be paid either immediately upon Carr's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Carr consented to the described sanctions and to the entry of findings that she forged the signatures of at least 15 firm customers on forms, and altered the information on other forms after those forms had been signed. The findings stated that in connection with a firm-required update of certain suitability forms, through which all customer accounts were required to be updated with current suitability information, Carr forged the customers' signatures on update forms without the customers' knowledge, authorization or consent. Carr also forged the signatures of additional customers on update forms as an accommodation to those customers. The findings also stated that Carr forged a customer's

signature on an Exchange Account Service Request form, and forged the signatures of some other customers on variable annuity Delivery Receipt forms. Carr also altered the information on a New Account Form after it had been signed, and kept at least two signed, but otherwise blank, Exchange Account Service Request forms in another customer's file.

The suspension is in effect from August 5, 2013, through August 4, 2015. ([FINRA Case #2012033491901](#))

Cheng-Ying Chen aka Donna Chen (CRD #4982316, Registered Representative, Houston, Texas) submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Chen consented to the described sanctions and to the entry of findings that she exercised discretion when she made trades in customer accounts, after receiving the customers' consent to make the trades anywhere from several days to two months before placing each trade. The findings stated that Chen also exercised discretion in customer accounts in the absence of having received any order for a definite amount of a specified security. For all the discretionary trades, Chen failed to obtain the customers' prior written authorization or her member firm's prior written acceptance of the accounts as discretionary. During the relevant period, the firm prohibited discretionary trading in these types of customer accounts.

The suspension was in effect from August 19, 2013, through August 30, 2013. ([FINRA Case #2011030636701](#))

Peter Shawn Chung (CRD #1700865, Registered Representative, North Miami, Florida) submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Chung consented to the described sanction and to the entry of findings that, while indirectly holding a substantial minority interest in a member firm, he engaged in manipulative trading of two stocks for which his member firm was running private offerings of public equity (PIPE) offerings. With other persons associated with the firm, Chung bought shares and submitted limit orders that were intended to, and did, artificially increase the inside bid price and made the competing PIPE offering appear more attractive to potential investors. The findings stated that these limit orders sent false or misleading information to the marketplace because they raised the inside bid price at which the shares could be purchased in the market and made it appear to investors that the market placed a higher value on the shares and that it would be more attractive to purchase the shares via the PIPE offering. In soliciting these orders, Chung and other persons associated with the firm created the misleading appearance of heightened market activity or interest in the stock. The findings also stated that during the PIPE offerings, Chung personally solicited limit orders and purchased stock when he was prohibited from doing so, in violation of SEC Regulation M. The findings also included that Chung willfully violated Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 thereunder, Rule 101 of Regulation M, and NASD Rules 2110 and 2120. ([FINRA Case #2008011675301](#))

John Michael Cruse (CRD #4326987, Registered Representative, Petaluma, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Cruse consented to the described sanctions and to the entry of findings that he and another registered representative handled a joint brokerage account for customers as well as single managed accounts for other customers. All firm managed accounts were non-discretionary as firm policy prohibited the exercise of discretion except in instances where special permission was granted to a registered representative who applied for the privilege. Cruse and the registered representative recommended a specific portfolio trading model to the customers, and obtained their verbal authorization to execute trades pursuant to this trading model. The findings stated that Cruse exercised discretion in these customer accounts for repositioning their portfolios in accordance with the trading model. Cruse, however, failed to speak to the customers on the actual trade date, prior to effecting the trades. Cruse never obtained written discretionary authorization for any of the customers' accounts, nor did the firm ever grant him special permission to exercise discretion in these customer accounts. The findings also stated that Cruse and the registered representative handled the joint account of other customers. The day after one of the customers died, Cruse executed discretionary trades for the joint account, without speaking to either accountholder before the transactions. Cruse routinely exercised discretionary trades in the accounts of separate customers. Although the customers each agreed to follow the portfolio trading model that he recommended, Cruse did not speak with either customer on the dates he executed trades for their separate accounts.

The suspension was in effect from August 5, 2013, through August 16, 2013. ([FINRA Case #2011028320301](#))

Daniel Patrick Deighan (CRD #1029361, Registered Principal, Merritt Island, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$27,500 and suspended from association with any FINRA member in any capacity for seven months. The fine must be paid either immediately upon Deighan's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Deighan consented to the described sanctions and to the entry of findings that he recommended and effected the sale of high-risk private placements to customers, without a reasonable basis to believe that the transactions were suitable given the customers' financial circumstances and conditions. The findings stated that Deighan overstated the customers' net worth and annual income on new account documents and made recommendations that resulted in an overconcentration of the customers' net worth in the private placements. The findings also stated that Deighan, as his firm's president, failed on numerous occasions to timely amend his Form U4 to disclose reportable events.

The suspension is in effect from July 15, 2013, through February 14, 2014. ([FINRA Case #2011030085101](#))

Matthew Francis Deline (CRD #4910379, Registered Representative, Encinitas, California) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Deline failed to appear and testify at an on-the-record interview. The findings stated that FINRA sought Deline's testimony in connection with its investigation of his unsuitable recommendations to his member firm's customers involving multiple speculative and illiquid direct participation programs and non-traded real estate investment trusts (REITs), and whether he caused his member firm's books and records to be inaccurate by submitting materially inaccurate direct purchase application forms and subscription documents. The findings also stated that Deline cooperated with FINRA's initial phase of the investigation concerning alleged unsuitable recommendations made to certain customers of his firm and he testified at an interview. FINRA expanded its investigation because it had learned that Deline may have engaged in additional wrongful conduct and FINRA requested him to appear for another on-the-record interview, to which he did not appear. ([FINRA Case #2009019067201](#))

Michael Peter Duprey (CRD #4311541, Registered Representative, Alexandria, Virginia) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Duprey's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Duprey consented to the described sanctions and to the entry of findings that he prepared and submitted a materially false and inaccurate business expense report to his member firm. The findings stated that the report sought approval of a dinner that Duprey had with a client of his at the firm and another person. Duprey falsely identified the other person at the dinner as the client's wife, when this was not the case, failing to disclose the true identity of the third dinner participant. The firm approved the dinner as a business expense in reliance on the accuracy of the information Duprey entered on the report. The findings also stated that Duprey, in various instances, used his personal email account to communicate with customers about business-related matters in contravention of the firm's written policies of which he had actual knowledge and without the firm's knowledge or authorization. Duprey thereby prevented the firm from fulfilling its supervisory obligations regarding business correspondence and from preserving the emails in conformance with recordkeeping rules.

The suspension is in effect from July 15, 2013, through January 14, 2014. ([FINRA Case #2013036155801](#))

Ellington Lloyd Ellis (CRD #4287959, Registered Representative, Caledonia, Michigan) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Ellis failed to respond to FINRA requests for information and documents in connection with an investigation into his conduct concerning a possible private securities transaction and possible outside business activities. ([FINRA Case #2010024310601](#))

Clinton D. Fraley (CRD #5281935, Registered Representative, Greenwood Village, Colorado) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Fraley failed to respond to FINRA requests for documents and information in connection with its investigation into whether he misappropriated money from customers. ([FINRA Case #2012033644301](#))

Carlos C. Garcia (CRD #2635960, Registered Principal, Westport, Connecticut) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for five months. Without admitting or denying the findings, Garcia consented to the described sanctions and to the entry of findings that he sold equity-indexed annuities (EIAs), non-securities products, to member firm customers and others outside the scope of his employment with his firm and without providing it with any notice of the business activity. The findings stated that Garcia's undisclosed sales totaled roughly \$4.3 million and he received approximately \$338,445 as compensation for the transactions. In annual attestations over the course of five years, Garcia falsely certified to the firm that he had not been engaged in any undisclosed outside business activity.

The suspension is in effect from August 19, 2013, through January 18, 2014. ([FINRA Case #2012032914901](#))

Joey Giamichael (CRD #3248158, Registered Principal, Courtland, New York) submitted an Offer of Settlement in which he was fined \$7,478, of which \$4,978 represents disgorgement of trading profits, and suspended from association with any FINRA member in any capacity for one month. Giamichael's member firm ordered him to pay a \$2,500 penalty for his misconduct, and he paid the penalty. The fine FINRA imposed gives Giamichael credit for the \$2,500 penalty payment. Without admitting or denying the allegations, Giamichael consented to the described sanctions and to the entry of findings that he executed trades of a company's stock in his personal brokerage account in violation of the applicable FINRA rule imposing restrictions on personal trading of any security issued by a company that the research analyst follows for a period beginning 30 days before and ending five days after the publication of the company's research report. The findings stated that Giamichael was the primary analyst for coverage on the company and the author of the report. The findings also stated that Giamichael realized a net profit of approximately \$2,779 from the trades and did not seek or obtain his firm's approval before executing the trades. The findings also included that the applicable FINRA rule also imposes restrictions on personal transactions who oversee research analysts covering the subject companies of the research reports. FINRA found that while under the direct supervision of Giamichael, an analyst prepared and published research reports on a company, initiating and reiterating coverage with a buy rating and the price target per share. While serving as the analyst's immediate supervisor, Giamichael executed trades in the stock in her personal account, realizing a profit of \$2,199.

The suspension was in effect from July 15, 2013, through August 14, 2013. ([FINRA Case #2012031436601](#))

Eugene Allen Groysman (CRD #4616900, Registered Representative, Milwaukee, Wisconsin) submitted an Offer of Settlement in which he was suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the allegations, Groysman consented to the described sanction and to the entry of findings that he failed to respond timely and completely to FINRA requests for information and documentation. The findings stated that Groysman did not completely answer certain questions pertaining to his use of third-party websites, use of unapproved advertising materials, outside business activities, and disclosure of reportable events and Form U4 amendments. The findings also stated that Groysman failed to provide certain documentation that FINRA had requested with regard to the articles of incorporation for an entity, bank account statements and federal and state tax returns for two years.

The suspension is in effect from July 15, 2013, through January 14, 2014. ([FINRA Case #2010024611301](#))

Bruce Martin Harada (CRD #2324524, Registered Representative, Honolulu, Hawaii) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Harada consented to the described sanction and to the entry of findings that he convinced some of his customers to withdraw funds from their securities accounts and write personal checks payable to him. Harada represented that he would invest these funds in a personal asset management product. In reality, the product did not exist. Instead of investing these funds as Harada represented, he converted at least \$792,612 to his personal use over a three-year period. The findings stated that Harada failed to respond to FINRA requests for information. ([FINRA Case #2012032670901](#))

Roy Bernard Harris II (CRD #1064750, Registered Representative, Fayetteville, Tennessee) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for 30 business days. Without admitting or denying the findings, Harris consented to the described sanctions and to the entry of findings that he effected discretionary transactions in customers' accounts without obtaining the customers' prior written authorization and without having his member firm's acceptance of the accounts as discretionary accounts.

The suspension is in effect from August 19, 2013, through September 30, 2013. ([FINRA Case #2012034426001](#))

Randy Willis Hayes III (CRD #5361647, Registered Representative, West Palm Beach, Florida) was barred from association with any FINRA member in any capacity. Restitution was not awarded because Hayes and the bank where he was employed reimbursed the customers. The sanction was based on findings that Hayes withdrew, or failed to credit, over \$22,000 in funds from the accounts of bank customers. The findings stated that Hayes did so without their permission or the bank's and by forging the customers' signatures. Hayes withdrew funds from the customers' bank accounts and deposited some of the funds

into his personal account at another bank. To accomplish these unauthorized withdrawals, Hayes forged the customers' signatures on separate bank forms. The findings also stated that Hayes, without permission or authority, closed a customer's savings account at the bank that held \$50,881.23, and transferred, without permission or authority, \$41,000 to open a new bank account in the customer's name. Hayes did not credit the customer's new bank account with the \$9,881.23 difference. Hayes also forged the customer's signature on a bank form requesting the closure of the account. The forgery allowed Hayes to effect the unauthorized withdrawal from the customer's bank account. Hayes deposited \$6,378 into his account. The findings also included that Hayes withdrew \$800 from another customer's certificate of deposit (CD) without the customer's or the bank's permission or authority by forging the customer's signature on a bank withdrawal form and deposited \$500 into his personal account. FINRA found that Hayes failed to appear for FINRA-requested testimony and failed to completely respond to FINRA's request for information pertaining to the investigation into the customers' allegations. ([FINRA Case #2011026546701](#))

Michael Wayne Henderson (CRD #5493329, Registered Representative, Morgantown, West Virginia) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Henderson's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Henderson consented to the described sanctions and to the entry of findings that he willfully failed to disclose on his initial Form U4 with a member firm that his Certified Public Accountant (CPA) license in Kansas had been suspended. The findings stated that Henderson also willfully failed to amend his Form U4 to disclose the revocation of his Kansas CPA license and willfully failed to timely amend his Form U4 to disclose that a regulatory agency found that he had engaged in unprofessional and unethical conduct in the practice of accountancy.

The suspension is in effect from August 5, 2013, through February 4, 2014. ([FINRA Case #2011030807701](#))

Stephen Yarkpazuo Jensen (CRD #4400624, Registered Representative, Redford, Michigan) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Jensen misappropriated a customer's funds without her knowledge by taking loans totaling \$12,500 against her insurance policy and forging her endorsement to cash the checks. The findings stated that the customer did not request the loans and did not consent to them. When the customer received a check at her home address and brought it to Jensen to return to the insurance company, Jensen instead forged the customer's endorsement on the check and cashed it. Several months later, Jensen changed the customer's mailing address to his office address without her knowledge or consent. The findings also stated that Jensen applied for additional loans against the customer's policy and in each instance, the loan proceeds were mailed to Jensen's office. When

Jensen received each check, he forged the customer's endorsement and cashed it without her knowledge or consent. The findings also included that the customer was unaware of the loans until she telephoned the insurance carrier to check on the designation of beneficiaries on her insurance policy. During the call, the insurance representative noted that there were loans against the insurance policy; the customer was surprised and said this was an error. When the customer went to Jensen's office to pick up documents from the insurance company indicating that there had been loans against her policy and asked Jensen for an explanation, he said that her policy had been capped but that all the money would be back in her account. FINRA found that Jensen led the customer to believe that the insurance company had unilaterally taken action in her account. The customer complained to the insurance company asking for documents and an explanation and shortly after the complaint, she received a series of voicemails from Jensen and his family begging for her forgiveness for what Jensen had done. Ultimately, the insurance company cancelled the loans taken against the customer's policy. ([FINRA Case #2010024062601](#))

Timothy Hamilton Jobe (CRD #258750, Registered Representative, Escondido, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 60 days. The fine must be paid either immediately upon Jobe's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Jobe consented to the described sanctions and to the entry of findings that he and his wife sold a residential property to a customer and, as part of the transaction, Jobe lent the customer \$330,000 to purchase the property, contrary to NASD Rule 2370. The findings stated that the loan to the customer was in the form of a promissory note in which Jobe earned interest. The principal and interest on the loan were paid in full. Jobe was the lender of \$330,000 to the customer, who continued to maintain an account at Jobe's former member firm, in which Jobe was the account executive.

The suspension was in effect from May 20, 2013, through July 18, 2013. ([FINRA Case #2010022680701](#))

Robert Brian Kay (CRD #1133657, Registered Principal, Las Vegas, Nevada) submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Kay consented to the described sanction and to the entry of findings that his member firm, through him, received and held Brazilian bonds having a face value of \$879 million and purported Japanese bonds with a face value of about \$23 billion, when the firm's membership agreement did not permit holding customer funds or safekeeping customer securities. The findings stated that Kay accepted unverified representations of people whose identities he did not verify that related to securities with which he was completely unfamiliar. Kay then made representations about the value and tradability of securities purportedly worth billions of dollars that lacked any reasonable basis, when, based upon the minimal due diligence he

had conducted, he knew some of the securities had been implicated in fraud. The findings also stated that without any reasonable basis and without regard for the potential harm that these fraudulent and/or worthless instruments might generate, Kay issued a series of letters and receipts certifying and attesting that his firm was holding these bonds and that they were good and legitimately earned assets, free and clear of any encumbrances, of non-criminal origin, and freely transferable. Nevertheless, with the exception of the letters to an investment-services entity, Kay did not know to whom these documents would be given or how they would be used. The findings also included that Kay willfully failed to timely amend his Form U4 to disclose that he had been named in an investment-related civil action, filed in Clark County, Nevada, that, among other things, alleged that he had violated a state statute modeled after Exchange Act Rule 10b-5. He did not update his Form U4 for more than six months after he had knowledge of facts that required the amendment. ([FINRA Case #2010021286901](#))

Stacy Lanette Kellogg (CRD #2609892, Registered Representative, Streamwood, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$5,000 and suspended from association with any FINRA member in any capacity for 15 business days. Without admitting or denying the findings, Kellogg consented to the described sanctions and to the entry of findings that she left a member firm and became associated with another member firm, which had a relationship with a clearing firm that her previous firm intended to transfer its customers' accounts away from, to a new clearing firm. The findings stated that Kellogg's previous firm informed its customers that the transfer of their accounts would occur automatically unless the customer objected by a certain date. The findings also stated that Kellogg realized that her former firm required the customer objections to the clearing firm transfer be in writing. Kellogg then obtained from customers letters of authorization, a temporary authorization to prevent the transfer of accounts, which gave her authority to utilize any signature of the customers on file at her office on any document directly related to stopping transfer of accounts from the clearing firm with which her present firm had a relationship. The findings also included that after receiving the letters of authorization, Kellogg affixed customers' signatures to objection letters informing her former firm that the customers did not want their accounts to transfer from one clearing firm to the other, and she provided the objection letters to the firm in order to stop the transfers, in violation of FINRA Rule 2010.

The suspension was in effect from August 5, 2013, through August 23, 2013. ([FINRA Case #2010022236002](#))

Keith Allen Korch (CRD #1767225, Registered Representative, Sturbridge, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for 30 days. Without admitting or denying the findings, Korch consented to the described sanctions and to the entry of findings that he used a personal email account for business purposes in contravention of his member firm's written policies and without the firm's knowledge

or approval. The findings stated that Korch used a personal email account to email prospectuses to customers. In so doing, Korch failed to cause the emails to be sent or directed to a firm email account and he failed to retain copies of the emails in electronic or other form. The firm was thereby prevented from fulfilling its supervisory obligations regarding electronic business correspondence and was prevented from preserving the emails in conformance with recordkeeping rules. The findings also stated that on various occasions during the period, Korch mailed and faxed prospectuses to customers but failed to submit such correspondence to the firm, and failed to make and retain copies of, or any records regarding, the faxes and mailings, preventing the firm from fulfilling its supervisory obligations regarding written correspondence and from complying with recordkeeping rules pertaining to outgoing correspondence.

The suspension is in effect from August 19, 2013, through September 17, 2013. ([FINRA Case #2011025547801](#))

Kimberly Beth LaRosa (CRD #2911452, Associated Person, Moorestown, New Jersey) submitted an Offer of Settlement in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, LaRosa consented to the described sanction and to the entry of findings that she had access to a business credit account that her member firm maintained at a grocery store chain and used the grocery store business account to purchase food, groceries, and household items for her and her family's personal use, converting a total of \$3,155.18 from her firm. The findings stated that her firm maintained written policies stating that such accounts may be used only for appropriate business purposes. The findings also stated that LaRosa refused to appear for FINRA-requested testimony. ([FINRA Case #2011027852601](#))

William Patrick Lentell (CRD #2136035, Registered Representative, Cotuit, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Lentell consented to the described sanction and to the entry of findings that he improperly accepted loans totaling \$316,000 from customers of his member firm, none of whom were his immediate family members. The findings stated that the terms of the loan arrangements, except for the loan with one customer, were not memorialized in writing. To date, Lentell has failed to repay \$52,000 of the \$316,000 to the customers. The findings also stated that while none of the customers complained about the loan arrangements, Lentell did not notify his firm or receive its approval prior to entering into any of the loan arrangements. Given that none of the customers were Lentell's immediate family members, the firm's procedures precluded him from accepting such loans. The findings also included that in compliance questionnaires Lentell completed over three years, he falsely misrepresented to his firm that he had not borrowed money from any firm customers. ([FINRA Case #2013035506801](#))

Simon Siao Roun Lin (CRD #1697963, Registered Representative, San Bruno, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for five months. The fine must be paid either immediately upon Lin's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Lin consented to the described sanctions and to the entry of findings that he recommended and caused the execution of purchase and sale transactions in a customer's account that were unsuitable in light of the customer's objectives which were growth and occasional speculation and his financial situation.

The suspension is in effect from August 5, 2013, through January 4, 2014. ([FINRA Case #2011028257101](#))

Kristian Marius Lou (CRD #312939, Registered Principal, Simsbury, Connecticut) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 10 business days. The fine must be paid either immediately upon Lou's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Lou consented to the described sanctions and to the entry of findings that he effected discretionary transactions in a firm customer's securities account without the customer's prior written authorization to exercise discretion and prior written acceptance of the account as discretionary. The findings stated that Lou entered transactions as being unsolicited when in fact such trades were solicited, thereby causing the firm's books and records to be inaccurate.

The suspension was in effect from August 5, 2013, through August 16, 2013. ([FINRA Case #2012031789103](#))

Michael Watts Ludwig (CRD #1465097, Registered Representative, Evans, West Virginia) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Ludwig consented to the described sanction and to the entry of findings that he was associated with a member firm as a registered representative and with an insurance company, the parent company of his firm, as an insurance agent. The findings stated that FINRA commenced an investigation regarding allegations that Ludwig failed to deposit funds in excess of \$13,000 received from the insurance company customers into his insurance agent group banking account. The findings also stated that Ludwig failed to provide testimony as requested by FINRA and informed FINRA that he would not appear and provide testimony on the date requested, or at any future date. ([FINRA Case #2012034217801](#))

Eugene Dennis Maher (CRD #5863570, Associated Person, Libertyville, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$15,000 and suspended from association with any FINRA member in any capacity for 50 days. The fine must be paid either immediately upon Maher's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Maher consented to the described sanctions and to the entry of findings that he solicited securities transactions from existing or prospective customers of a member firm. The findings stated that Maher's conduct required registration as a general securities representative and he was not properly registered in such capacity. The findings also stated that Maher, who had common control of the firm, failed to register as a principal prior to becoming actively engaged in solicitation for the firm. This failure was inconsistent with his previous attestation to FINRA that he would not participate in the firm's securities business until he completed the appropriate registrations.

The suspension is in effect from August 5, 2013, through September 23, 2013. ([FINRA Case #2012031768901](#))

DeCarla Shevon Mathis (CRD #4214466, Registered Representative, Fairview Park, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$5,000 and suspended from association with any FINRA member in any capacity for 30 days. Without admitting or denying the findings, Mathis consented to the described sanctions and to the entry of findings that she effected wire transfers for \$27,530 and \$85,500, respectively, from a member firm customer's account to unrelated third-party accounts after receiving fraudulent emails from someone purporting to be the customer who was, in actuality, an imposter. Mathis exchanged several emails with the imposter whom she thought was the customer, including the receipt of signed letters of authorization containing what Mathis believed to be the customer's signatures. The findings stated that the firm's policies and procedures required that all wire transfer requests over \$10,000 be verbally confirmed with the customer. In order to process the wire transfers, Mathis completed the firm's service request forms falsely attesting that she had spoken to the customer to confirm the wire instructions. The findings also included that Mathis caused the firm to maintain false books and records, contrary to firm policies that prohibited employees from creating any firm entry that was false or misleading.

The suspension is in effect from August 19, 2013, through September 17, 2013. ([FINRA Case #2012033078801](#))

Jerry Dean McGlothlin (CRD #702205, Registered Representative, Laguna Hills, California) was barred from association with any FINRA member in any capacity. The sanction was based on findings that McGlothlin engaged in outside business activities without providing his member firm with written notice or obtaining permission from the firm to participate in the outside business activities. The findings stated that McGlothlin's outside business

activities used the same physical address and telephone number as his firm's branch office. McGlothlin owned significant portions of the companies, held officer positions at each company, paid contractors and employees and maintained the corporate records for each company. The findings also stated that McGlothlin engaged in private securities transactions by participating in the sale of common stock for his companies and issuing shares to himself and employees. As with his outside business activities, McGlothlin never notified his firm or sought the firm's permission to participate in the private securities transactions. The findings also included that McGlothlin provided false responses on every annual compliance questionnaire he completed during the time he was registered with his firm. McGlothlin provided false answers to questions that probed his involvement in outside business activities, private securities transactions, and the use of email addresses and Internet websites to conduct outside business activities. FINRA found that McGlothlin failed to fully respond to FINRA requests for information and documents relating to his engagement in outside business activities and participation in private securities transactions. ([FINRA Case #2012031915901](#))

William Dixon McKeever (CRD #2243382, Registered Representative, Tulsa, Oklahoma) submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any capacity for six months. In light of McKeever's financial status, no monetary sanction has been imposed. Without admitting or denying the findings, McKeever consented to the described sanction and to the entry of findings that he willfully failed to timely amend his Form U4 within 30 days of being charged with non-securities related felonies, and willfully failed to timely amend his Form U4 within 30 days of having pled guilty, as part of a plea arrangement, to the felonies. The findings stated that it was not until approximately two years later, after his member firm was notified by the Oklahoma Department of Securities that McKeever filed an updated Form U4. The findings also stated that McKeever filed multiple Form U4 amendments in which he willfully failed to amend the Disclosure Reporting Page, which asked him whether he had ever been charged with a felony and details of the felony charges. Accordingly, his answers were not accurate at the time of those filings.

The suspension is in effect from August 5, 2013, through February 4, 2014. ([FINRA Case #2012034315701](#))

Richard D. Mellema (CRD #4592368, Registered Principal, Grandville, Michigan) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$15,000, suspended from association with any FINRA member in any capacity for 30 business days and suspended from association with any FINRA member in any principal capacity for six months. The fine must be paid either immediately upon Mellema's reassociation with a FINRA member firm following his suspension in any capacity, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Mellema consented to the described sanctions and to the entry of findings that as the firm's CCO, he was the principal who supervised the

church bonds business, approved them for sale by his member firm's representatives and drafted the WSPs relating to that business. Mellema's supervision of the firm's church bond business was deficient in that he failed to conduct adequately reasonable diligence before the firm's representatives began to sell the church bonds. Mellema relied solely on the documents provided by the churches and conducted no independent and ongoing diligence in connection with the offerings. The procedures for the sale and underwriting of church bonds that Mellema wrote were deficient. The findings stated that Mellema was responsible for pricing the church bonds. All church bonds were initially priced at par, but were never altered for changes in issuer risk, interest rate risk or any other factors. To the contrary, prices were only altered for accrued interest. While Mellema devised a pricing model, the model was insufficient and was not used in any event. As a result, Mellema caused misleading communications to be sent to church bond customers. The findings also stated that Mellema approved for sale, interests in a fund by his firm's representatives, and supervised the sale. Mellema failed to conduct adequate initial and ongoing diligence before approving the fund for sale and failed to implement adequate WSPs and controls in connection with the fund.

The suspension in any capacity was in effect from July 15, 2013, through August 23, 2013. The suspension in any principal capacity is in effect from July 15, 2013, through January 14, 2014. ([FINRA Case #2011025857801](#))

Rafael Lorenzo Modesto (CRD #5689067, Registered Representative, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 30 business days. The fine must be paid either immediately upon Modesto's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Modesto consented to the described sanctions and to the entry of findings that he transacted a \$3,000 cash withdrawal for the father of a bank customer who was not an authorized signer on the customer's bank account. The findings stated that the customer was not present in the branch when the cash withdrawal was transacted. Modesto forged the customer's name on the withdrawal slip.

The suspension is in effect from August 5, 2013, through September 16, 2013. ([FINRA Case #2013036047301](#))

Margot Helen Myers (CRD #1030165, Registered Representative, Phoenix, Arizona) submitted an Offer of Settlement in which she was fined \$7,500 of which \$5,500 is payable to FINRA and suspended from association with any FINRA member in any capacity for five months. Myers' firm fined her \$2,000 for her actions, and she has paid the fine. FINRA has credited the \$2,000 fine paid to the firm as partial payment of the fine imposed, resulting in a balance due to FINRA of \$5,500. Without admitting or denying the allegations, Myers consented to the described sanctions and to the entry of findings that she met

with customers concerning the investment of Roth and traditional Individual Retirement Accounts (IRAs) for them, and the retirement or 401(k) plan for their company. The findings stated that the customers decided to invest their IRAs with an insurance and annuity company and elected to have the Roth IRAs managed by an outside investment advisor (IA). One of the customers advised Myers that they did not want the IA to manage their 401(k) plan. Subsequently, one of the customers notified Myers that based on her review of account statements it did not appear that the IA was managing the customers' Roth IRAs because the accounts did not contain the minimum account balances to qualify for management by the IA. Thereafter, without the customers' knowledge, consent or authorization, Myers changed the date on the IA documents that authorized the IA to manage the customers' Roth IRAs, so it would appear they were signed on a later date. Then Myers took those same documents, copied them, and changed the account type from Roth IRA to 401(k) on the new copies and also changed the date to the later date on the new copies, which resulted in the creation of documents that appeared to authorize the IA to manage the customers' 401(k) accounts. As a result of the falsifications, Myers created several sets of falsified IA documents that the customers did not authorize her to create. The findings also stated that Myers submitted the falsified documents to the IA, but the IA rejected them and returned them to her because she used the wrong authorization form and the accounts did not contain the required minimum account balances to qualify for management by the IA. Myers printed new IA documents from a related website which would authorize the IA to manage the customer's 401(k) accounts, completed these documents, forged the customers' signatures on them without their knowledge, consent or authorization and submitted the documents to the IA. This caused the IA to begin managing the 401(k) accounts, despite their unequivocal instructions that the 401(k) accounts not be managed by the IA. The findings also included that Myers completed a solicitor's separate written disclosure statement, which indicated the IA would pay Myers a referral fee of up to 20 percent of the advisory fee charged and paid by the customers' company. FINRA found that during the process, Myers falsely signed other forms as a principal of her member firm, when she was not a principal. Because Myers signed the document herself and sent it directly to the IA, the firm never reviewed the transactions. FINRA also found that Myers completed an annual attestation for her firm in which she falsely responded that she had never signed a client's name on a document.

The suspension is in effect from August 5, 2013, through January 4, 2014. ([FINRA Case #2010024219901](#))

Brent Douglas Noel (CRD #5008539, Registered Representative, Austin, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Noel consented to the described sanction and to the entry of findings that without permission or authority, he ordered, activated and used a temporary automated teller machine (ATM) bank debit card linked to a deceased customer's savings account and forged the customer's signature on a bank withdrawal slip to misappropriate a total of \$318.87 from the

customer's savings account. The findings stated that the bank's district manager viewed a surveillance video, identified Noel as the person who used the ATM bank debit card to withdraw the customer's funds and interviewed Noel, who acknowledged forging the customer's signature on the bank withdrawal slip and activated the debit card to withdraw funds from the customer's bank account, without permission or authority. The findings also stated that Noel failed to respond to FINRA requests for information. ([FINRA Case #2013036274701](#))

Robert Carmine Nolie (CRD #4184016, Registered Representative, Port Jefferson Station, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$3,500 and suspended from association with any FINRA member in any capacity for 15 business days. The fine must be paid either immediately upon Nolie's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Nolie consented to the described sanctions and to the entry of findings that he shared a joint registered representative number with another firm representative for customers serviced by both representatives. Each representative also had an individual registered representative number for non-shared customers. After the other registered representative filed for bankruptcy, he asked Nolie to allow him to use Nolie's individual registered representative number for trades placed by him for some of their joint customers during the pendency of the bankruptcy, and Nolie allowed him to do so. The findings stated that as a result, the order tickets for the trades placed by the other representative inaccurately designated Nolie as the registered representative. By allowing the other representative to inaccurately designate him as the person who placed the trades, Nolie caused his firm's books and records to be inaccurate.

The suspension was in effect from July 15, 2013, through August 2, 2013. ([FINRA Case #2009016159105](#))

Jennifer R. Olson (CRD #5372284, Associated Person, Elgin, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Olson consented to the described sanction and to the entry of findings that she misappropriated at least \$12,000 from her member firm by depositing checks made payable to the firm into her personal brokerage account, by creating fictitious invoices, and by falsifying receipts to be reimbursed by the firm for non-reimbursable personal expenses. ([FINRA Case #2012035093301](#))

Peter Tongpil Pak (CRD #2347475, Registered Principal, Long Island City, New York) submitted an Offer of Settlement in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for nine months. The fine must be paid either immediately upon Pak's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory

disqualification, whichever is earlier. Without admitting or denying the allegations, Pak consented to the described sanctions and to the entry of findings that acting outside the course and scope of his employment with his member firms, he participated in private securities transactions from which he received selling compensation, without providing prior written or oral notice to his firms of his proposed roles in, or the selling compensation that he might receive from, the transactions.

The suspension is in effect from July 15, 2013, through April 14, 2014. ([FINRA Case #2010022586201](#))

Adam A. Pflum (CRD #5220575, Registered Representative, Clayton, North Carolina) submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any capacity for one year. In light of Pflum's financial status, no monetary sanctions have been imposed. Without admitting or denying the findings, Pflum consented to the described sanction and to the entry of findings that he formed a hedge fund, for the purpose of trading his own funds. The findings stated that Pflum's member firm detected this potential outside business activity in connection with an email review and requested that he submit an outside business activity (OBA) form. Pflum completed and submitted an OBA form regarding his entity and the firm denied Pflum's request for approval to create and engage in business through the hedge fund. Without disclosure to the firm and contrary to its prohibition, Pflum filed documents with the North Carolina Division of Corporations to create the fund. The Articles of Organization for the fund listed Pflum as a managing member. Thereafter, Pflum opened multiple securities accounts titled to the fund and directed securities trading on behalf of the fund. The findings also stated that Pflum opened, with another FINRA member firm, securities accounts in the name of the fund and another securities account, titled to the hedge fund and an investment limited partnership, which Pflum established, for which his hedge fund served as its general partner. Later, Pflum opened a third securities account also titled to the hedge fund with the same FINRA member firm. The new account documentation for the securities accounts specifically asked if the account holder is an employee of a securities firm. Pflum completed the new account applications for each account and falsely answered the question regarding his association with a securities firm to conceal these accounts from his member firm. The findings also included that Pflum entered transactions in some of these securities accounts and failed to disclose to his firm that he had opened securities accounts with another FINRA member firm, had trading authorization over the securities accounts, and had participated in the execution of transactions in the undisclosed securities accounts.

The suspension is in effect from August 5, 2013, through August 4, 2014. ([FINRA Case #2011028988901](#))

Rafael Antonio Quixano aka Rafael Quixano Mendez (CRD #2402530, Registered Representative, Guaynabo, Puerto Rico) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 15 business days. The fine must be paid either immediately upon Quixano's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Quixano consented to the described sanctions and to the entry of findings that he effected the sale of 70,000 shares of one mutual fund in the total amount of \$65,453.50 in order to purchase 6,570 shares of another mutual fund in the total amount of \$65,311.05 in the account of a customer, without obtaining the customer's prior written authorization and without having the firm's acceptance of the account as discretionary.

The suspension was in effect from August 5, 2013, through August 23, 2013. ([FINRA Case #2011030193801](#))

Charles E.M. Rentschler (CRD #4713615, Registered Representative, Hartsville, Indiana) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$20,000 and suspended from association with any FINRA member in any capacity for nine months. The fine must be paid either immediately upon Rentschler's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Rentschler consented to the described sanctions and to the entry of findings that through his member firm, he issued research reports covering companies, which reports failed to disclose that his household had a financial interest in the securities of the subject companies and the nature of the financial interests. Some of the research reports issued concerning one company failed to disclose that Rentschler received a monthly pension from a direct competitor of the company, which represented a material conflict of interest, which should have been disclosed. The findings stated that at all relevant times, Rentschler or a member of his household had a financial interest in, and he had discretion or control over, certain accounts. On a few occasions, the accounts traded contrary to NASD Rule 2711(g)(2) restrictions against personal trading in companies that Rentschler, as the research analyst, followed during a period beginning 30 calendar days before and ending five calendar days after the publication of research reports concerning the companies. The trading occurred in connection with research reports relating to two companies. On some occasions, one of the research analyst accounts traded inconsistently with Rentschler's recommendations, as reflected in the most recent research reports that the firm had published. That account, through an investment adviser who shared discretionary authority over the account, sold three different securities for which Rentschler had last issued buy ratings. The findings also stated that Rentschler failed to promptly notify his firm in writing of various outside brokerage accounts he owned or over which he had discretionary authority.

The suspension is in effect from July 15, 2013, through April 14, 2014. ([FINRA Case #2010024486901](#))

Nicholas Thomas Richardson (CRD #5772327, Associated Person, Brooklyn, New York) submitted an Offer of Settlement in which he was fined \$2,500 and suspended from association with any FINRA member in any capacity for two years. Without admitting or denying the allegations, Richardson consented to the described sanctions and to the entry of findings that he failed to disclose material information on a Form U4 he submitted to a member firm.

The suspension is in effect from July 15, 2013, through July 14, 2015. ([FINRA Case #2010024097501](#))

Richard Dow Rockwell (CRD #2665703, Registered Principal, Kentfield, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 10 business days. The fine must be paid either immediately upon Rockwell's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Rockwell consented to the described sanctions and to the entry of findings that his customers invested \$475,000 in an entity's mortgage fund pursuant to his recommendation. The findings stated that the mortgage fund, along with its sister funds, had been previously approved by Rockwell's firm for sale to its customers and these funds were offered pursuant to one consolidated PPM. The findings also stated that Rockwell made inaccurate statements and misleading claims about the entity's mortgage fund to the customers in connection with his recommendation.

The suspension was in effect from August 5, 2013, through August 16, 2013. ([FINRA Case #2011029195001](#))

Lorraine Miglionsi Rubel (CRD #4961291, Registered Representative, Manalapan, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Rubel consented to the described sanction and to the entry of findings that, at a manager's instruction, she requested that the manager's country club create false invoices, listing fictitious business meetings, for the purpose of funding a holiday party each year for member firm employees at the country club. The findings stated that on multiple occasions, Rubel submitted to the firm false invoices that listed fictitious business meetings and submitted to the firm false invoices and required cover sheets accompanying each invoice, each of which listed fictitious business meetings. As a result of these false documents, the firm paid approximately \$29,400 to the country club for expenses not incurred as reflected on the invoice and cover sheet. By submitting false invoices and coversheets to the firm, Rubel caused the firm to violate Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-3 thereunder, thereby violating NASD Rule 3110 and

FINRA Rule 2010. The findings also stated that Rubel failed to appear for FINRA-requested testimony and through counsel, informed FINRA that she would not appear for testimony or otherwise furnish information. ([FINRA Case #2011027852602](#))

Adam Aaron Sampson (CRD #5777074, Registered Representative, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$7,500 and suspended from association with any FINRA member in a trader capacity for six weeks. The fine must be paid either immediately upon Sampson's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Sampson consented to the described sanctions and to the entry of findings that as a trading assistant at his member firm, one of his duties was the advertising of trade volume whether traded by him or other firm employees. Sampson was responsible for ensuring that volume advertised by the firm was accurate. Although most of the firm's trade volume was advertised automatically, Sampson manually advertised trade volume for securities in Bloomberg and/or Thomson Reuters that substantially exceeded the firm's executed trade volume. In numerous instances, the firm traded no volume but Sampson advertised anywhere from 10,000 to 429,000 shares. In other instances, Sampson over-advertised the firm's traded volume by between 14,975 and 585,000 shares. The number of shares manually advertised by Sampson had no apparent relationship to the number of shares actually traded. The findings stated that Sampson manually advertised trade volume that exceeded the firm's executed trade volume to attract order flow to the firm.

The suspension was in effect from July 15, 2013, through August 25, 2013. ([FINRA Case #2013037031901](#))

Jackie Smalls (CRD #4471665, Registered Representative, Lexington, South Carolina) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for two months. The fine must be paid either immediately upon Small's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Smalls consented to the described sanctions and to the entry of findings that he caused a firm customer to invest funds in a privately held company without first providing written notice to, and receiving written approval from, his firm to participate in the private securities transaction. The findings stated that Smalls introduced a customer to the start-up manufacturing company and recommended that the customer invest \$25,000 in the company, outside the regular course and scope of Smalls' association with his firm. Smalls told the customer that he had invested \$50,000 and other investors had invested money in the company with an expectation of receiving a percentage of the company's profits. Smalls stated to the customer that by investing in the company, the customer would share in the company's profits. Smalls told the customer that he was confident that the company would obtain government contracts and therefore be successful. The findings

also stated that Smalls assisted the customer in obtaining a loan from a third-party bank in order to invest in the company. The customer obtained a loan and invested \$25,000 in the company.

The suspension is in effect from August 5, 2013, through October 4, 2013. ([FINRA Case #2011030811801](#))

Tina Marie Smith (CRD #4897592, Registered Representative, Philippi, West Virginia) submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$5,000 and suspended from association with any FINRA member in any capacity for 18 months. The fine must be paid either immediately upon Smith's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Smith consented to the described sanctions and to the entry of findings that she took the Series 66 (Uniform Combined State Law Examination) licensing examination, and before beginning the examination, she signed a document attesting that she had read and understood the testing rules of conduct. The findings stated that under FINRA testing rules, Smith was not permitted to possess any notes or study materials, or access her locker, during the examination. While taking the examination, Smith took a break during which she accessed her locker and then went to the restroom. Smith was found to have study materials relating to the subject matter of the examination in her possession during the break.

The suspension is in effect from August 5, 2013, through February 4, 2015. ([FINRA Case #2012032645201](#))

Ivy Jean So (CRD #2712279, Registered Representative, Northridge, California) submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$2,500 and suspended from association with any FINRA member in any capacity for 30 days. The fine must be paid either immediately upon So's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, So consented to the described sanctions and to the entry of findings that she failed to timely amend her Form U4 to disclose a personal bankruptcy petition. The findings stated that So's member firm's policies and procedures concerning Form U4 updates required its registered representatives to report all disclosure events, including reporting a bankruptcy within five days of the filing date. In an annual attestation So completed, she agreed to update her Form U4 to report a bankruptcy within five calendar days. The findings also stated that the Bankruptcy Court subsequently dismissed So's petition without discharge. Upon the firm's independent discovery of So's bankruptcy petition, the firm filed an updated Form U4 for So reporting both the bankruptcy petition and its dismissal.

The suspension was in effect from August 5, 2013, through September 3, 2013. ([FINRA Case #2012034568801](#))

Barbara Josephine Stark (CRD #1328134, Registered Representative, Eden Prairie, Minnesota) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Stark consented to the described sanction and to the entry of findings that she failed to appear for FINRA-requested testimony or to provide documents to FINRA in connection with an allegation that she misappropriated client funds. ([FINRA Case #2013036512001](#))

David Allen Szumigalski (CRD #4369320, Registered Representative, Tinley Park, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 30 business days. The fine must be paid either immediately upon Szumigalski's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Szumigalski consented to the described sanctions and to the entry of findings that he signed distribution forms for IRAs and deferred annuities on behalf of customers. The findings stated that all of the customers requested the transactions and authorized Szumigalski to sign their names to the documents in order to expedite the distribution of their funds. Szumigalski signed the customer names although the firm's procedures specifically prohibited registered representatives from signing documents on a client's behalf, even if requested to do so by the clients.

The suspension was in effect from July 15, 2013, through August 23, 2013. ([FINRA Case #2011029447701](#))

Susan Elizabeth Walker (CRD #1823041, Registered Representative, Plymouth, Minnesota) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Walker consented to the described sanction and to the entry of findings that she failed to appear for FINRA-requested testimony or provide documents to FINRA in connection with an allegation that she misappropriated client funds. ([FINRA Case #2013036511701](#))

Kevin David Wells (CRD #4180930, Registered Representative, Massapequa, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$2,500 and suspended from association with any FINRA member in any capacity for one month. The fine must be paid either immediately upon Wells' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Wells consented to the described sanctions and to the entry of findings that he failed to timely disclose an outstanding judgment on a Form U4 submitted to his firm.

The suspension was in effect from July 15, 2013, through August 14, 2013. ([FINRA Case #2011028643301](#))

George Leon Winneberger (CRD #470045, Registered Principal, Santa Fe, New Mexico) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$7,500 and suspended from association with any FINRA member in any capacity for 15 business days. Without admitting or denying the findings, Winneberger consented to the described sanctions and to the entry of findings that he served as the registered representative for a customer at his member firm. The findings stated that the customer maintained several accounts with Winneberger's firm, and she gave Winneberger oral authorization to exercise discretion in her accounts. Winneberger would periodically discuss the status of the accounts with the customer. However, the customer did not give Winneberger any written authorization to exercise discretion and the firm did not allow discretionary trading in customer accounts or accept the accounts as discretionary. Approximately 650 trades were placed in the customer's accounts from their inception through a certain period, a substantial number of which Winneberger placed through the use of discretion. The findings also stated that Winneberger completed employee questionnaires, and in each of them, he answered that he had not handled any customer accounts on a discretionary basis; thereby, misleading the firm, as he was exercising discretion.

The suspension was in effect from August 19, 2013, through September 9, 2013. ([FINRA Case #2010024821101](#))

Michael Jeffery Wiseman (CRD #1358960, Registered Principal, Hermitage, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Wiseman consented to the described sanctions and to the entry of findings that he made certain appearances on a talk radio show in which he made public statements that were not fair and balanced, or otherwise failed to provide a sound basis for evaluating the facts in regard to the security or type of security discussed. During several of his radio appearances, Wiseman generally referenced a variable annuity, which he did not specifically identify, that he had been recommending to his clients. Wiseman's comments focused on the guarantees offered by the variable annuity, particularly the guarantee against loss of principal, making claims like the investor "can't lose money." During some, but not all, of those appearances, Wiseman noted that the variable annuity was not Federal Deposit Insurance Corporation (FDIC) guaranteed and that the investor would have to hold the product for 10 years in order to receive the guarantee against loss of principal. Wiseman then encouraged listeners to call him to find out more about the product, stating that "we'll find out if this is an appropriate investment for you." In discussing the variable annuity, however, Wiseman failed to explain that any such guarantees were dependent on the claims paying ability of the annuity's issuer. Wiseman also failed to disclose other material aspects of the investments, such as the negative tax and investment consequences that could accompany early withdrawals and the fees, expenses and surrender charges that investors might have to pay.

The suspension was in effect from August 19 2013, through August 30, 2013. ([FINRA Case #2012031332001](#))

Michael Donovan Woodward (CRD #2101827, Registered Representative, Harrisonburg, Virginia) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$6,471, which includes the disgorgement of commissions received of \$1,471, and suspended from association with any FINRA member in any capacity for 15 business days. The fine must be paid either immediately upon Woodward's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Woodward consented to the described sanctions and to the entry of findings that he executed unauthorized purchase transactions in the IRAs and Roth IRAs of firm customers, without their authorization or consent. The findings stated that specifically, Woodward purchased shares of an entity in the accounts.

The suspension was in effect from July 15, 2013, through August 2, 2013. ([FINRA Case #2012033182001](#))

Decision Issued

The Office of Hearing Officers (OHO) issued the following decision, which has been appealed to or called for review by the NAC as of July 31, 2013. The NAC may increase, decrease, modify or reverse the findings and sanctions imposed in the decisions. Initial decisions where the time for appeal has not yet expired will be reported in future issues of FINRA Disciplinary and Other Actions.

Anthony Arthur Grey (CRD #709788, Registered Principal, Winter Park, Florida) was fined \$30,000, ordered to pay \$16,000 in disgorgement to customers, and suspended from association with any FINRA member firm in any capacity for two years. The sanctions were based on findings that Grey traded in municipal bonds for his own account and his own benefit, interposing his personal accounts between his customers and the prevailing market, which allowed him to charge his customers unfair, unreasonable and excessive markups. Grey did not disclose to his customers either his personal involvement in the transactions or that the intermediary transactions resulted in higher prices to the customers. Grey's use of his personal accounts in intermediary transactions created a conflict of interest in that he acted as a trader with a self-interest and as a broker with a duty to act in the interest of his customers. The findings stated that the markups to Grey's customers were excessive when compared to the prevailing market price at the time of the customer transactions. The findings also stated that Grey structured the multi-legged transactions and set the prices in such a way that one could only conclude that he acted knowingly and intentionally. The bulk of the markups were hidden in the transactions routed through Grey's personal accounts. By this means, Grey was able to make it appear that the firm only charged a markup within the industry standard, when, in fact, his customers were paying a price far higher than the prevailing market price. Grey charged his customers markups ranging from 8.62 percent to 19.12 percent.

The decision has been appealed to the National Adjudicatory Council and the sanctions are not in effect pending review. ([FINRA Case #2009016034101](#))

Complaints Filed

FINRA issued the following complaints. Issuance of a disciplinary complaint represents FINRA's initiation of a formal proceeding in which findings as to the allegations in the complaint have not been made and does not represent a decision as to any of the allegations contained in the complaint. Because these complaints are unadjudicated, you may wish to contact the respondents before drawing any conclusions regarding these allegations in the complaint.

John Warren DuBrule (CRD #1223724, Registered Principal, Orlando, Florida), Stephen Douglas Pizzuti (CRD #1461660, Registered Principal, Longwood, Florida) and Kevin Anthony Tuttle (CRD #2414158, Registered Principal, Orlando, Florida) were named respondents in a FINRA complaint alleging that DuBrule and Tuttle knowingly or recklessly caused the distribution of summary quarterly statements that contained false information about the valuation of a fund in willful violation of Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 thereunder; FINRA Rules 2010 and 2010; and NASD Rules 2110 and 2120. The complaint alleges that DuBrule and Tuttle knowingly inflated the value of the fund's assets on its quarterly statements by, among other things, including the face value and promised interest of defaulted promissory notes as assets of the fund. The quarterly statements also falsely inflated the value of investors' interests in the fund. DuBrule and Tuttle made materially false and misleading statements and omissions to customers to entice them to deposit additional funds and by sending the summary quarterly statements to the customers, falsely represented that their investments in the fund had increased in value. The complaint also alleges that DuBrule and Tuttle failed to disclose that the valuation of the fund was based on defaulted promissory notes and promissory notes that had been cancelled. DuBrule and his wife invested a total of \$88,554 in the fund and withdrew a total of \$92,405, relying on the inflated value of their investments in the fund. DuBrule misappropriated investor funds by withdrawing the funds despite knowing that the promissory notes had been cancelled and the value of the fund's assets had decreased substantially. The summary quarterly statements contained false and misleading statements that claimed the fund utilized the services of an independent firm to prepare statements and tax reports, and that they were prepared in accordance with generally accepted accounting principles (GAAP). Investors deposited \$3.85 million into the fund, based in part on the fraudulent misrepresentations and omissions in the summary quarterly statements. DuBrule and Tuttle's member firm granted them permission to engage in this outside business activity. The complaint further alleges that DuBrule and Tuttle withdrew a quarterly management fee from the fund. DuBrule and Tuttle knew or were reckless in not knowing that they inflated the value of the assets of the fund. By using the unsupported and inflated value of the fund to calculate the management fees, DuBrule and Tuttle knew or were reckless in not knowing that they were withdrawing significantly more than the .5 percent maximum quarterly fee, based upon the true and accurate value of assets in the fund. As a result, DuBrule and Tuttle withdrew \$141,632 of excess fees from the fund, which came directly from what remained of the capital accounts

of the fund's investors. In addition, the complaint alleges that DuBrule caused his firm to sell unregistered securities in contravention of Section 5 of the Securities Act of 1933. Moreover, the complaint further alleges that despite knowing that a member of the firm's staff had forged a significant but unknown number of Deposit Securities Request forms and thus caused numerous unregistered penny stocks to be deposited into firm customer accounts absent supervisory review, DuBrule and Pizzuti failed to conduct any investigation to determine the scope of the forgeries and unsupervised penny stock trading.

The complaint also alleges that Pizzuti disseminated securities-related communications to the public through two websites he controlled that contained material omissions and/or materially misleading information. Through the websites, Pizzuti marketed a subscription-based "stock analyzer" that used "computational algorithms" to identify stocks with the "highest Alpha and strongest performance." However, Pizzuti failed to provide a sound basis for potential investors to evaluate his product, and failed to present a balanced statement of its benefits and risks. The complaint further alleges that Pizzuti made exaggerated and misleading statements because they falsely implied that investors who did not purchase his system were taken advantage of by professional investors, and that investors who did purchase the system would have the same access to the market as professional investors. Pizzuti also implied that investors who purchased his product would have access to non-public information. Pizzuti failed to define terminology about the product he was selling, and members of the public could not easily determine what product Pizzuti was selling or what services the system provided. Pizzuti claimed that his stock portfolios possessed the "best quantitative and technical ranks in the market," however the website contained no information that would allow an investor to evaluate whether this statement was accurate. In addition, the complaint alleges that the websites failed to provide an explanation of any risks associated with purchasing and using the system or any of the portfolios within the system, and contained only a general disclaimer, which failed to address any specific risks presented by the products sold through the website. The websites failed to prominently display the member firm's name, and failed to disclose the relationship between the firm and Pizzuti. ([FINRA Case #2011027666902](#))

Eric DeWayne Jones (CRD #4214311, Registered Representative, Carroll, Ohio) was named a respondent in a FINRA complaint alleging that he forged a customer's name on withdrawal request forms, used these forms to withdraw a total of \$8,500 from the customer's IRA, and took personal possession of the funds without the customer's knowledge or consent. The complaint alleges that Jones converted the customer's funds and never repaid any portion of the funds to the customer. The complaint also alleges that Jones failed to cooperate with FINRA's investigation by failing to produce documents and information and failing to provide on-the-record testimony. ([FINRA Case #2011029939801](#))

Amanda Rose King (CRD #6123711, Associated Person, Olla, Louisiana) was named a respondent in a FINRA complaint alleging that while associated with the bank affiliate of her member firm, King signed a customer's name on a bank withdrawal slip without

the customer's knowledge or consent. The complaint alleges that King presented the withdrawal slip to a bank teller, and withdrew \$2,200 from the customer's bank account without permission or authority from the customer or the bank, thereby converting funds from the customer. The complaint also alleges that King failed to appear and provide testimony to FINRA. ([FINRA Case #2013035898601](#))

Robert Edward Lee Jr. (CRD #1824202, Registered Principal, Oxford, Connecticut) was named a respondent in a FINRA complaint alleging that he recommended that a customer purchase shares of stock on margin and the customer sent Lee a check for \$25,000 for the purchase. The complaint alleges that Lee represented to the customer that he had purchased 10,000 shares of each of the stocks for the customer, utilizing margin and represented that those shares were all being held in an outside retirement account not reflected in the member firms' account statements. Lee did not purchase the shares for any outside retirement account for the customer. Lee did not purchase shares at any point for two companies for the customer's account and did purchase 10,000 shares of the third stock for the customer's account but sold those shares for a loss. When questioned by the customer about that transaction, Lee stated that he would repurchase shares of the third stock. Lee purchased another 10,000 shares of stock for the customer's account but sold those shares again for a loss. After that date, the customer's account did not contain any shares of the third stock. Instead of purchasing the shares of stock on margin for the outside retirement account, as represented to the customer, Lee applied the funds to other purchases in the customer's account. The complaint also alleges that in connection with the purported purchases of stock, Lee told the customer that the dividends generated by the stocks would be used to pay off the margin balance. Lee also falsely represented to the customer that the stocks were not reflected on the customer's brokerage account statements because they were being held in a separate retirement account outside of the firm that did not issue statements. Lee met with the customer and his wife and provided the customer with a handwritten document containing false detailed notations representing the dividends purportedly being generated by the customer's investments in the stocks. According to the document, which Lee wrote, the investments were allegedly generating approximately \$3,814 in dividends on a monthly basis and the overall value of the holdings was approximately \$331,800. During that meeting, Lee continued to falsely represent to the customer that he owned stock and that the account was just over \$350,000. Lee also falsely represented that the investments in the stocks had earned dividends of \$49,591. The complaint further alleges that when the customer asked him why he was not receiving statements showing the stock holdings, Lee repeatedly stated that he would send a statement. The customer and his wife also reminded Lee that they were counting on the investments, which he had represented were paying \$4,000 in monthly dividends, for their retirement. At the time of the meeting, the customer did not hold any shares of stocks. In addition, the complaint alleges that Lee appeared for on-the-record testimony and falsely testified that he had never given the customer reason to believe that two of the stocks were purchased in his account, that he did not inform the

customer that his account was worth approximately \$350,000, that he had not told the customer he owned 10,000 shares of each stock, that he had not told the customer he had been receiving \$3,814.75 on a monthly basis in dividends for 13 months and \$49,591 in total dividends, and that he had not told the customer his shares of stocks were being held in a different account and did not generate monthly account statements. ([FINRA Case #2011030145201](#))

Michael LoStracco (CRD #2953217, Registered Representative, Doylestown, Pennsylvania) was named a respondent in a FINRA complaint alleging that while registered with a member firm and performing accounting services as a certified public accountant, he misappropriated approximately \$153,000 from non-FINRA member companies. The complaint alleges that to effectuate the misconduct, LoStracco made, or caused to be made, false financial statements, false reports, and false check entries in connection with one of the entity's accounts and accounting system. The company's majority owner reported to the police that LoStracco and another individual had been taking funds without the company's authorization. The complaint also alleges that LoStracco was charged by criminal complaint filed in the Court of Common Pleas of Bucks County, PA, with six felony counts: theft by unlawful taking, theft by deception by creating a false impression, theft by deception by failing to correct a false impression, receiving stolen property, criminal conspiracy and theft by failure to make required disposition of funds. LoStracco pled nolo contendere to two of the felony charges: criminal conspiracy and theft by failing to make required disposition of funds. LoStracco was sentenced and, *inter alia*, ordered to make restitution. The complaint further alleges that LoStracco failed to respond to a FINRA request to appear and provide testimony. ([FINRA Case #2012031063101](#))

John Joseph Misulia (CRD #5330650, Associated Person, New York, New York) was named a respondent in a FINRA complaint alleging that he converted \$5,683.31 from his member firm by charging personal expenses on a corporate credit card his member firm issued and failing to reimburse the firm for those expenses. The complaint alleges that at the time Misulia made the personal charges, he knew, or should have known, that he was prohibited from using the corporate credit card to charge personal expenses. The complaint also alleges that Misulia signed the firm's credit card policy declaration, affirming he read, understood and agreed to the terms of the policy, which strictly prohibited the use of the corporate card for personal non-business related items. Personal expenses should generally not be charged to the card and if any personal expenses are charged the individual shall settle this in a timely manner by providing a reimbursement check to the firm. The firm never granted Misulia permission to use the corporate credit card to charge personal expenses. The firm paid for the personal charges incurred by Misulia on his corporate credit card and demanded that he reimburse the firm which he never did. ([FINRA Case #2011029262201](#))

TNP Securities, LLC (CRD #149178, Costa Mesa, California) and Anthony Warren Thompson (CRD #445556, Registered Principal, Irvine, California) were named respondents in a FINRA complaint alleging that the firm, Thompson, and an entity conducted a series of private placements of securities to raise operating capital for the entity through wholly-owned subsidiaries of the entity. To induce investors to fund Thompson's real estate ventures, the promissory notes offerings featured an express guaranty of principal and interest by the entity (collectively the Guaranteed Notes LLCs). The offering materials failed to disclose or omitted material facts concerning the entity's venture and the guaranteed notes programs during the respective offering periods. The complaint alleges that the entity, acting through Thompson, and the firm continued to sell the notes without providing potential investors with current material information in the respective offering materials regarding the performance of the entity and the guaranteed notes programs. The withheld information was material to potential investors, especially in light of the entity's offer of a guaranty. The firm and Thompson knew, or were reckless in not knowing, that the guaranteed notes programs failed to disclose the information.

The complaint also alleges that the firm and Thompson, willfully violated Section 10(b) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder. The complaint further alleges that Thompson commenced a proxy solicitation to seek an increase in the use of proceeds for investment in affiliates in a program and the proxy solicitation materials included material misrepresentations and omissions. In addition, the complaint alleges that in connection with an offering, the firm failed to enforce a supervisory system to achieve the firm's compliance with applicable laws, rules and regulations regarding its business in private placement offerings of securities. In that regard, the firm failed to ensure that it and its personnel did not violate the antifraud provisions of the federal securities laws or FINRA rules in connection with the preparation or distribution of offering documents, sales literature or other communications with the public. The firm failed to establish, maintain, and enforce a system and procedures reasonably designed to supervise the firm's business in private placement offerings of securities, in particular with respect to an offering. As a result, the firm failed to take steps necessary to ensure that the offering documents and other materials distributed to potential and existing investors disclosed all material facts regarding a guaranteed notes program, the entity and its affiliates. The firm failed to ensure that it and its personnel did not violate the antifraud provisions of the federal securities laws or FINRA rules in connection with the preparations or distribution of offering documents, sales literature, or other communications with the public and failed to establish, maintain and enforce a system and procedures reasonably designed to supervise its business in private placement offering of securities. Moreover, the complaint alleges that the firm, Thompson and his entity failed to respond or failed to respond fully or timely to FINRA requests for information and documents, delaying and hindering FINRA's investigation. ([FINRA Case #2011025785602](#))

John Allan Waldock Jr. (CRD #2995364, Registered Representative, Bloomington, Minnesota) was named a respondent in a FINRA complaint alleging that he converted a customer's property by making personal use of gift cards belonging to the customer and provided by the customer to his member firm for business purposes. The complaint alleges that the customer asked the firm to coordinate a mailing to individuals associated with potential counterparties, hoping to tease their interest in a potential transaction. Each mailing included a \$100 company gift card. The customer, at its own expense, provided 300 gift cards to the firm for the mailing. After the primary mailing, the firm kept the unused company gift cards, but intended to mail them to additional potential counterparties. The complaint also alleges that Waldock took some of the cards, placed separate orders with the company, totaling \$2,270.90, and paid for the goods ordered with the converted gift cards. The final order was never delivered because Waldock cancelled it after his unauthorized use of the gift cards was detected by the customer and brought to the attention of his firm's management. Subsequent to cancelling the final order, Waldock returned to the customer the items he had received in the previous orders. ([FINRA Case #2012031142101](#))

Firms Expelled for Failure to Supply Financial Information Pursuant to FINRA Rule 9552

Aletheia Securities, Inc. (CRD #44784)
Santa Monica, California
(July 18, 2013)

HLM Securities, Inc. (CRD #133216)
Chicago, Illinois
(July 18, 2013)

Firms Cancelled for Failure to Pay Outstanding Fees Pursuant to FINRA Rule 9553

AEB Corporation (CRD #28591)
Great Barrington, Massachusetts
(July 3, 2013)

Charles Vista LLC (CRD #132650)
Staten Island, New York
(July 31, 2013)

Marquis Financial Services of Indiana Inc. dba Marquis Financial Services, Inc. (CRD #20733)
Tarzana, California
(July 22, 2013)

NDX Trading, Inc. (CRD #39940)
New Brighton, Minnesota
(July 22, 2013)

Ocean Cross Capital Markets LLC (CRD #156256)
Westport, Connecticut
(July 22, 2013)

Firm Cancelled for Failure to Meet Eligibility or Qualification Standards Pursuant to FINRA Rule 9555

Prim Securities, Incorporated (CRD #30504)
Independence, Ohio
(July 23, 2013)

Firms Suspended for Failure to Supply Financial Information Pursuant to FINRA Rule 9552

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Aletheia Securities, Inc. (CRD #44784)
Santa Monica, California
(July 1, 2013)

HLM Securities, Inc. (CRD #133216)
Chicago, Illinois
(July 1, 2013)

Firms Suspended for Failure to Pay Arbitration Fees Pursuant to FINRA Rule 9553

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

John Thomas Financial (CRD #40982)
New York, New York
(July 18, 2013)
FINRA Arbitration Cases #13-00807/
13-00771/12-02923/13-00481/
13-00553/13-00830

Prim Securities, Incorporated (CRD #30504)
Independence, Ohio
(July 23, 2013)
FINRA Arbitration Case #12-03511

Firm Suspended for Failing to Pay Arbitration Awards Pursuant to FINRA Rule 9554

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

C.K. Cooper & Company, Inc.
(CRD #106578)
Irvine, California
(July 18, 2013)
FINRA Arbitration Case #10-05679

Individuals Barred for Failure to Provide Information or Keep Information Current Pursuant to FINRA Rule 9552(h) (If the bar has been vacated, the date follows the bar date.)

Lawrence Joseph Alfano (CRD #2701389)
Kings Park, New York
(July 15, 2013)
FINRA Case #2012031047101

Guido Vito Colucci (CRD #6100192)
Staten Island, New York
(July 15, 2013)
FINRA Case #2012033511801

Eric Anthony Foster (CRD #3267556)
Suffern, New York
(July 11, 2013)
FINRA Case #2012032826201

Jesus Abel Garcia II (CRD #5411061)
Salem, Oregon
(July 15, 2013)
FINRA Case #2012034457101

Charles McMillan Graham (CRD #227058)
Centerville, Ohio
(July 19, 2013)
FINRA Case #2012031119101

Carlton Michael Hayden (CRD #1922707)
Amado, Arizona
(July 15, 2013)
FINRA Case #2011029137401

Michael Thomas Linsinbigler (CRD #4072020)
Delray Beach, Florida
(July 15, 2013)
FINRA Case #2012031918501

Johnson Chacko Meloottu (CRD #4834660)
Hauppauge, New York
(July 22, 2013)
FINRA Case #2012034344401

Jeffrey Alan Smith (CRD #428001)
Bedminster, New Jersey
(July 18, 2013)
FINRA Case #2012034794801

Burim Turkaj (CRD #5091666)
Vero Beach, Florida
(July 22, 2013)
FINRA Case #2013036117401

George Alexander Watson (CRD #4878322)
Canton, Georgia
(July 22, 2013)
FINRA Case #2012035116601

Individual Revoked for Failure to Pay Fines and/or Costs Pursuant to FINRA Rule 8320
(If the revocation has been rescinded, the date follows the revocation date.)

Harry Eugene Asmussen (CRD #1207271)
Sandia Park, New Mexico
(July 17, 2013 – July 25, 2013)
FINRA Case #2010023471001

Individuals Suspended for Failure to Provide Information or Keep Information Current Pursuant to FINRA Rule 9552(d)

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Sheretta Antoinette Bailey (CRD #5400845)
Fort Worth, Texas
(July 1, 2013)
FINRA Case #2013035564401

John Patrick Bamber (CRD #2660922)
Bloomington, Illinois
(July 22, 2013)
FINRA Case #2013036428601

Patrick Calizaire (CRD #5364593)
Brooklyn, New York
(July 11, 2013)
FINRA Case #2013036758101

Samuel Austin Davis (CRD #4776499)
Chicago, Illinois
(July 25, 2013)
FINRA Case #2011027454601

Monika Lena Englund (CRD #4956650)
Lantana, Florida
(July 15, 2013)
FINRA Case #2013036574401

Christopher Frank Foster (CRD #4759437)
New York, New York
(July 11, 2013)
FINRA Case #2013036367401

James Phillip Garcia (CRD #4063640)
Costa Mesa, California
(July 12, 2013)
FINRA Case #2012032909802

James Allen Hall (CRD #2250942)
Mt. Verde, Florida
(July 8, 2013)
FINRA Case #2012032544201

Patricia Michelle Heaton (CRD #2927338)
Rancho Palos Verdes, California
(May 6, 2013 – July 16, 2013)
FINRA Case #2012034672501

Nancy Bolt Hill (CRD #4653852)
Summerland, California
(July 22, 2013)
FINRA Case #2013035713701

David L. Kashner (CRD #4954668)
Houston, Texas
(July 1, 2013)
FINRA Case #2012035171001

Marcus Goetz Laun (CRD #2633242)
Mill Neck, New York
(March 22, 2013 – July 23, 2013)
FINRA Case #2011026741701

Jason Peter Martino (CRD #4784457)
Port Jefferson Station, New York
(July 1, 2013)
FINRA Case #2013036409101

James Pappas III (CRD #1577089)
Howell, New Jersey
(July 11, 2013)
FINRA Case #2012034593101

Tony Rados (CRD #5487484)

Syracuse, New York
(July 15, 2013)
FINRA Case #2013036810601

Blake Bancroft Richards (CRD #4051402)

Buford, Georgia
(July 15, 2013)
FINRA Case #2013036836401

Patsy Lynne Ritchey (CRD #4900826)

La Vernia, Texas
(July 8, 2013)
FINRA Case #2013036420001

Rosa Julia Rodriguez (CRD #5856661)

Sunrise, Florida
(July 8, 2013)
FINRA Case #2013036211101

Pamela Michelle Shafer (CRD #2908999)

Somerville, New Jersey
(July 8, 2013)
FINRA Case #2012031621401

Lynn Alan Simon (CRD #729413)

Newburgh, Indiana
(July 5, 2013)
FINRA Case #2013037057901

Randall Glen Starks (CRD #4527783)

Clarksville, Tennessee
(July 22, 2013)
FINRA Case #2013036910801

Donna Jessee Tucker (CRD #4696985)

Roanoke, Virginia
(July 12, 2013)
FINRA Case #2013036787301

Individual Suspended for Failure to Pay Arbitration Fees Pursuant to FINRA Rule 9553

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Thomas Dominick Gillons (CRD #2284713)

Napa, California
(July 1, 2013)
FINRA Arbitration Case #12-02656

Individuals Suspended for Failure to Comply with an Arbitration Award or Settlement Agreement Pursuant to FINRA Rule 9554

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Brian Joseph Allen Sr. (CRD #2171324)

Lansdale, Pennsylvania
(July 1, 2013)
FINRA Arbitration Case #12-03123

Michael Sean Cain (CRD #2131358)

Griffin, Georgia
(July 11, 2013)
FINRA Arbitration Case #09-06845

Allen Wayne Chaves (CRD #3114337)

Stillwater, Minnesota
(July 11, 2013)
FINRA Arbitration Case #12-00192

Roy Cohen (CRD #1633948)

Monroe Township, New Jersey
(July 2, 2013)
FINRA Arbitration Case #09-02510

Shawn Patrick Crawford (CRD # 2759034)
Mission Viejo, California
(July 16, 2013)
FINRA Arbitration Case #10-05679

Adam Spencer Deane (CRD #2991971)
Naples, Florida
(July 12, 2013)
FINRA Arbitration Case #05-03670

Allen Michael Green (CRD #824126)
South Lyon, Michigan
(July 2, 2013)
FINRA Arbitration Case #11-01146

William Bernard Hanson Jr. (CRD #2723523)
Waldwick, New Jersey
(July 10, 2013)
FINRA Arbitration Case #11-02828

Ernie Peter Ianace (CRD #5607715)
Frisco, Texas
(July 1, 2013)
FINRA Arbitration Case #12-02391

John Michael Johnson (CRD #5214417)
West Haven, Connecticut
(July 10, 2013)
FINRA Arbitration Case #12-01952

Gary Aquino Ladrado (CRD #3129982)
San Diego, California
(July 10, 2013)
FINRA Arbitration Case #12-03457

Eric Thomas Lenze (CRD #4758505)
Renton, Washington
(July 10, 2013)
FINRA Arbitration Case #12-03111

Paul Robert Nardella (CRD #4989338)
Nanuet, New York
(July 1, 2013)
FINRA Arbitration Case #12-01451

David Craig Neison (CRD #1607562)
Shelbyville, Kentucky
(July 10, 2013)
FINRA Arbitration Case #09-03877

James Michael Rapuano Jr. (CRD #4900969)
Branford, Connecticut
(July 10, 2013)
FINRA Arbitration Case #12-01952

James Michael Rapuano Jr. (CRD #4900969)
Branford, Connecticut
(July 11, 2013)
FINRA Arbitration Case #12-02054

Lynn Gordon Schultz (CRD #1052349)
Rockville Centre, New York
(July 2, 2013)
FINRA Arbitration Case #09-02510

Ted Sung-Woo Shin (CRD #4703282)
Los Angeles, California
(May 9, 2012 – July 17, 2013)
FINRA Arbitration Case #11-02260

Christopher James Turoci (CRD # 3058991)
Glendora, California
(July 16, 2013 – August 5, 2013)
FINRA Arbitration Case #10-05679

Joseph Marc Vaccaro (CRD #4256109)
Howell, New Jersey
(July 11, 2013)
FINRA Arbitration Case #10-01441

FINRA Joins Exchanges in Fining Newedge USA, LLC \$9.5 Million for Supervisory, Regulation SHO, and Books and Records Violations

The Financial Industry Regulatory Authority (FINRA), along with BATS Exchange, Inc., New York Stock Exchange LLC, NYSE Arca, Inc. and The NASDAQ Stock Market LLC, announced that they have censured and fined Newedge USA, LLC of Chicago \$9.5 million for failing to supervise trading by clients that directly accessed U.S. equities markets through Newedge's order routing platform and/or internet service providers (known as "direct market access," or "DMA") or routed orders directly to market centers (known as "sponsored access," or "SA"). In addition, Newedge also violated Regulation SHO (Reg SHO) and SEC Emergency Orders concerning short sales, and failed to obtain and retain books and records.

Thomas Gira, Executive Vice President of Market Regulation at FINRA, said, "If a firm is going to turn a blind eye toward potentially manipulative trading unleashed upon the market by one of its customers, this case shows that there will be serious consequences. It is imperative that firms giving customers access to the marketplace function as responsible gatekeepers and implement reasonable supervisory programs and procedures to monitor their customers' trading to ensure market integrity. As there were many triggers for this case, including referrals and information from BATS, NASDAQ and the NYSE, this case also illustrates how FINRA and the exchanges can effectively pursue activity that spans multiple markets."

FINRA and the exchanges found that Newedge did not have sufficient procedures, adequate surveillance tools, or necessary information to monitor DMA and SA client trading. Newedge's supervisory violations occurred over a four-year period, during which numerous internal documents noted the firm's deficiencies. Even after these "red flags" were raised, Newedge did not take adequate steps to satisfy its supervisory obligations.

In one example, FINRA also found that Newedge did not have adequate procedures or controls to monitor which clients used DMA and SA to trade in the equities markets. Newedge failed to reasonably and effectively monitor for certain types of potentially manipulative trading, such as wash trading, despite numerous requests from its own compliance department to implement a wash trading surveillance report. Also, Newedge could not adequately monitor certain clients' trading because it did not receive any order data reflecting their activity. Newedge also lacked essential knowledge about the beneficial owners of certain accounts directly accessing U.S. markets through firm affiliates, knowledge that was necessary for Newedge to properly monitor for potentially manipulative or suspicious activity. In addition to failing to obtain or retain required records, such as certain order data and client documentation, Newedge failed to retain certain email and text message data.

Newedge's failure to supervise its DMA and SA business also impacted its ability to supervise compliance with federal securities regulations regarding short sales, including the Emergency Orders issued by the SEC in July and September 2008 restricting or prohibiting short sales in certain securities. During the financial crisis in 2008, Newedge permitted its clients to submit numerous orders for short sales in securities that were prohibited by the SEC. FINRA found that Newedge violated Reg SHO by accepting customer's short sale orders without a reasonable basis to believe the securities could be borrowed, could not determine its net position for appropriate sell order marking in a given security, and could not reasonably determine whether sell orders entered by clients were accurately marked.

In concluding [this settlement](#), Newedge neither admitted nor denied the charges, but consented to the entry of FINRA's findings. Newedge also consented to retain an Independent Consultant to conduct a comprehensive review of the adequacy of the firm's policies, systems and procedures relating to the specific areas of violative conduct identified by FINRA and the exchanges. Newedge will pay a total of \$9.5 million in fines, including a \$4 million fine to FINRA, a \$1.75 million fine to The NASDAQ Stock Market LLC, a \$1.75 million fine being paid to the BATS Exchange, Inc., a fine of \$1.125 million to the New York Stock Exchange LLC, and an \$875,000 fine to NYSE Arca, Inc.