

Disciplinary and Other FINRA Actions

Firms Fined, Individuals Sanctioned

Delaney Equity Group, LLC (CRD® #142285, Palm Beach Gardens, Florida) and David Cameron Delaney (CRD #2447186, Registered Principal, West Palm Beach, Florida) submitted an Offer of Settlement in which the firm was censured and fined \$215,000. The firm was prohibited from directly or indirectly receiving, in any manner, any penny stock in any form, and prohibited from selling, for the benefit of any customer or firm proprietary account, any penny stock deposited with the firm (including through the firm's clearing firm) by Automated Customer Account Transfer (ACAT) unless the stock has been held in the account for at least 180 days or has been beneficially owned by the accountholder, including the accountholders predecessors, if any, for the requisite statutory period not to be less than 180 days, and in amounts not to exceed the volume limitations prescribed by the applicable federal securities laws; or the stock is subject to an effective registration statement. The firm shall retain, within 60 days of the date of the Order Accepting Offer of Settlement, an independent consultant, to conduct a comprehensive review of the adequacy of the firm's policies, systems and procedures (written and otherwise) and training relating to the compliance with Section 5 of the Securities Act of 1933, applicable rules and regulations with respect to the distribution of unregistered non-exempt securities, compliance with the requirements of the Bank Secrecy Act, and the regulations promulgated thereunder. Delaney was fined \$40,000, suspended from association with any FINRA® member in any capacity for two months, and suspended from association with any FINRA member in any principal capacity for 13 months to run consecutively from the termination of the two-month suspension in any capacity.

Without admitting or denying the allegations, the firm and Delaney consented to the described sanctions and to the entry of findings that the firm, acting through Delaney, its president, chief compliance officer (CCO) and anti-money laundering compliance officer (AMLCO), allowed a customer and its numerous affiliated accounts to sell almost a billion newly issued, unregistered equity shares of some issuers. As a result, the firm and Delaney participated in the distribution of almost a billion shares of unregistered and non-exempt securities. The findings stated that the firm, acting through Delaney, failed to establish, maintain and enforce a supervisory system, including written supervisory procedures (WSPs), reasonably designed to ensure compliance with Section 5 of the Securities Act of 1933 and applicable rules and regulations with respect to the distribution of unregistered and non-exempt securities. The findings also stated that the firm, acting through Delaney, failed to abide

Reported for October 2013

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).

by the terms of its membership agreement by failing to enforce its WSPs for supervising individuals with prior disciplinary disclosures at a heightened level. The findings also included that the firm, acting through Delaney, failed to adequately implement anti-money laundering (AML) policies, procedures and internal controls, and enforce its AML compliance program (AMLCP) by failing to identify a customer who had a regulatory history, failed to detect highly suspicious activity, properly investigate the suspicious activity and report suspicious activity as required. This suspicious activity included, but was not limited to, deposits of almost a billion shares of low-priced equity securities into multiple related accounts, the liquidation of those shares soon after they were deposited, and the wiring of the sales proceeds out to the accounts soon after their liquidation. FINRA found that the suspicious activity included the deposit, journaling, sale and wiring of the sales proceeds involving low-priced biotech stocks in accounts related to or referred by a customer with a regulatory history.

The suspension in any capacity is in effect from September 16, 2013, through November 15, 2013. The suspension in any principal capacity will be in effect from November 16, 2013, through December 15, 2014. ([FINRA Case #2010021108301](#))

Empire Executions, Inc. (CRD #44957, New York, New York) and Peter Patrick Costa (CRD #1299571, Registered Principal, Laurel, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$25,000, with Costa jointly and severally liable for \$10,000. Costa was suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, the firm and Costa consented to the described sanctions and to the entry of findings that the firm operated while in net capital deficiency and did not suspend operations during the deficiencies or disclose the deficiencies to the Securities Exchange Commission (SEC) or FINRA. The findings stated that during a routine examination, FINRA discovered that the firm had large capital infusions, and the firm's quarterly Financial and Operational Combined Uniform Single (FOCUS) Reports did not disclose any net capital deficiencies. Shortly thereafter, the firm filed with the SEC and FINRA a hindsight capital deficiency letter disclosing net capital deficiencies as of certain dates. The firm also disclosed that Costa was aware of the deficiencies and had infused capital on several occasions to cure them.

The suspension was in effect from September 3, 2013, through September 16, 2013. ([FINRA Case #2011027697301](#))

Middlebury Securities LLC (CRD #122602, Weybridge, Vermont) and James Baldwin Robinson (CRD #1651804, Registered Principal, Weybridge, Vermont) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$325,000. Robinson was fined \$45,000, suspended from association with any FINRA member in any principal capacity for one year, and required to requalify by exam as a general securities principal by passing the Series 24 examination prior to associating with any FINRA member following the suspension. Without admitting or denying the findings, the firm

and Robinson consented to the described sanctions and to the entry of findings that the firm, acting through a registered representative, misused \$200,000 in escrowed customer funds that were given to the firm for investment in issuers' offerings to make payments to, or on behalf of another issuer, when this issuer did not have any authority to receive funds from the others under the terms of each of these offerings. The findings stated that the registered representative raised approximately \$5.09 million from investors through the sale of issuers' offerings, and made fraudulent misrepresentations and omissions of material facts in connection with the offerings. The issuers never made any interest payments to investors, and only a few received their principal back. The findings also stated that Robinson had supervisory responsibility over the representative and was responsible for reviewing his activities to ensure his compliance with applicable securities laws and the firm's WSPs.

The firm, acting through Robinson, failed to reasonably supervise the representative, by among other things, failing to review his selling activity and handling of customer offering funds through the escrow accounts. In particular, Robinson failed to monitor and review the representative's releases of funds from those accounts. As a result, the representative was given access to investor money, resulting in the conversion. Robinson failed to detect this activity. Robinson was aware of "red flags" suggestive of violative conduct by the representative, but failed to take reasonable follow-up steps to review his conduct. The findings also included that the firm, acting through Robinson, failed to establish and maintain an adequate supervisory system, and failed to establish, maintain, and enforce adequate WSPs and written supervisory control procedures reasonably designed to achieve compliance with applicable securities laws, regulations, and FINRA rules concerning the handling and transmittal of customer funds in connection with private offering activity, including the monitoring of fund transmittals to third-party accounts. As the president and CCO, Robinson was responsible for establishing and implementing a reasonable supervisory system and WSPs for the firm, as well as establishing and implementing its supervisory control system.

FINRA found that the firm, acting through Robinson, failed to obtain monthly bank statements for the firm's escrow accounts. Instead, the firm and Robinson relied solely on manually prepared spreadsheets that the escrow agent provided monthly for each offering showing escrow account activity. This information was incomplete in that it did not, until a later date, identify the recipients of outgoing wires from the accounts. Since the firm never obtained the actual bank statements for the escrow accounts, it was unable to verify that the information the law firm provided on the escrow spreadsheets was accurate. Robinson also failed to implement any procedures requiring the review and retention of escrow release notices, the sole document used to release customer funds from the escrow accounts. FINRA also found that the firm failed to perform any supervisory review of the release notices until a later date, at which time it began attempting to reconcile the information on the release notices with the information on the escrow spreadsheets, even

though it lacked the necessary bank statements to accomplish this. The firm also failed to retain all of the release notices for its private offerings. Based in part on these deficiencies, the firm and Robinson failed to detect that the representative was converting customer funds. In addition, FINRA determined that Robinson knew that the representative was erroneously acting and making representations as a managing partner and co-founder of the firm, and that he was not registered as a principal, but performed the functions of one. Robinson approved the representative's business card, which identified him as a managing partner of the firm. Moreover, FINRA found that the firm failed to maintain required books and records; therefore, it willfully violated Securities Exchange Act Rule 17a-4, NASD Rule 3110, and FINRA Rules 4511 and 2010.

The suspension is in effect from September 16, 2013, through September 15, 2014. ([FINRA Case #2011025438902](#))

Firms Fined

Alternet Securities Inc. (CRD #47867, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$42,500. 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 FINRA/NASDAQ Trade Reporting Facility® (FNTRF) the contra side executing broker in more than 9.6 million transactions in reportable securities. The error stemmed from the incorrect configuration of the firm's trade reporting engine. As a result of the misconfiguration, the firm failed to report the contra-party for broker-to-broker trades. The staff was therefore unable to link the firm's non-tape clearing-only reports to the matching trade reports submitted by the contra-party. ([FINRA Case #2011030810101](#))

Capstone Asset Planning Company (CRD #14970, Houston, Texas) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$20,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that in connection with a fund that the firm served as the principal underwriter and distributor of shares, it distributed communications to the public that omitted any details or information about the fund's distressed holdings. Other disclosures explained the deterioration of the fund's holding. The holdings document failed to identify holdings in the fund that were non-income producing. At least some bonds in the fund were non-income producing securities, according to the quarterly unaudited financial statements filed. The findings stated that the fund's website declared that it was an interval fund and unlike other types of closed-end funds, an interval fund periodically offers to buy back a stated portion of its shares from shareholders. This statement was misleading, exaggerated and/or unwarranted because it omitted an explanation of the fund's difficulty in obtaining cash to satisfy its quarterly repurchase requests (that ultimately led to a change from a quarterly to annual opportunity for the fund to

repurchase a portion of outstanding shares), and the potential that an investor may not be able to sell his shares even pursuant to the annual repurchase policy. The findings also stated that in light of the deterioration in value of the fund's holdings, the description on the fund's website of church mortgage bonds and church mortgage loans as high quality was false, exaggerated, unwarranted and/or misleading. The fund website's comparison of church mortgage bonds and loans—in which it invested—to corporate bonds of similar credit quality and maturity did not disclose the material differences between corporate bonds and church mortgage bonds and church mortgage loans, including but not limited to differences in their credit quality. ([FINRA Case #2012030897101](#))

cfd Investments, Inc. (CRD #25427, Kokomo, Indiana) 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 respond adequately to red flags relating to a former registered representative, which taken together would have caused it to investigate and discover his conversion of a trust's assets. The findings stated that the firm was aware that the former registered representative served both as trustee and as broker to the trust, which itself posed a potential conflict of interest. Because the former registered representative had identified himself as client and representative, only he received account statements, which heightened the risk that he could (as he did) hide his activity from the beneficiary and others associated with the trust. The findings also stated that the former registered representative began liquidating mutual funds held by the trust as soon as six months after purchase. The firm had access to information about these transactions and could have discovered his activity. This practice continued for five years until the accounts were essentially worthless. Such liquidations raised suitability concerns and, in certain cases, caused the trust to incur contingent deferred sales charges. The steady stream of liquidations should have resulted in additional scrutiny of the trust's activity, and raised the possibility that the former registered representative was converting trust assets. The findings also included that the firm was confronted by additional circumstances relating to the former registered representative that, in totality, should have resulted in scrutiny of his activities. The former registered representative repeatedly violated firm procedures, including repeatedly failing to submit transaction and correspondence blotters to the firm, suggesting that he was seeking to avoid detection. The firm was also aware from its review of representatives' production levels that the former registered representative was earning very little from the firm (as little as \$5,600 in one year) during the period that he was converting trust assets.

FINRA found that the firm failed to adequately respond to these red flags and did not subject the trust to additional scrutiny or place the former registered representative under heightened supervision, despite the conflict of interest posed by his dual roles. The firm did not address his repeated failures to submit transaction and correspondence blotters. Critically, the firm failed to respond to the uninterrupted pattern of mutual fund

redemptions over a five-year period in the trust's accounts. FINRA also found that the firm lacked adequate systems and procedures to monitor direct application mutual fund redemptions. The firm had two means of reviewing redemptions of direct application mutual funds, but did not use either to adequately review these transactions. The firm also failed to maintain adequate written procedures for the review of direct application mutual fund redemptions. In particular, the firm's procedures did not require review of statements provided by direct application mutual fund issuers, which listed redemptions. In addition, FINRA determined that numerous firm representatives failed to provide the firm with blotters they created and maintained listing each purchase and sales transaction, including direct application mutual fund transactions, as required by the firm's policies and procedures. Through audit reports and internal reviews, the firm knew that representatives, including the former registered representative, failed to create or maintain transaction blotters, and did not take sufficient action to rectify the problem. While the firm separately maintained blotters for its direct application mutual fund business, the blotters did not contain all redemptions of direct application mutual funds. ([FINRA Case #2009019590503](#))

Charles Schwab & Co., Inc. (CRD #5393, San Francisco, California) 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 provide written notification disclosing to its customers a call date that was consistent with the disclosed yield to call. ([FINRA Case #2011028941201](#))

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 \$155,500 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 provide written notification disclosing to its customers its correct compensation type, its correct capacity, the correct price in transactions and inaccurately appended the average price disclosure on a customer confirmation. The findings stated that the firm failed to show an accurate timestamp and/or buy/sell indicator for executions on its ledger, to show the entry time or execution time on brokerage order memorandum, provide requested customer confirmations and/or statements for two orders, provide an order ticket or blotter record for two orders, and document one principal transaction in its order ledger. The findings also stated that the firm transmitted to the Order Audit Trail System (OATS™) reports that contained inaccurate, incomplete or improperly formatted data; failed to include the directed order special handling, submitted orders with an incorrect order entry time and erroneous combined order/route reports; failed to submit routing information to OATS for orders; failed to submit the correct leaves quantity to OATS; and failed to report Reportable Order Events (ROEs) to OATS. The findings also included that the firm executed short sale orders and failed to properly mark the orders as short, and failed to properly mark sell orders as long or short.

FINRA found that the firm made available reports on covered orders in national market system (NMS) securities that it received for execution from any person, which included incorrect information. In several instances, the firm inaccurately classified covered orders in marking securities as exempt, and improperly classified orders for purposes of SEC Rule 605, and failed to disclose the correct SEC Rule 605 order execution statistics for order type/size categories. FINRA also found that the firm executed short sale transactions and failed to report each of these transactions to the FNTRF with a short sale modifier. In addition, FINRA determined that the firm accepted short sale orders in an equity security from another person, or effected short sales in an equity security for its own account, without borrowing the security, or entering into a *bona fide* arrangement to borrow the security, or having reasonable grounds to believe that the security could be borrowed so that it could be delivered on the date delivery is due, and documenting compliance with SEC Rule 203(b) of Regulation SHO. Moreover, FINRA found that the firm's supervisory system did not provide for supervision designed to achieve compliance with applicable securities laws and regulations, and/or NASD®, FINRA and SEC rules. The firm's WSPs for certain trading desks failed to provide any of the minimum requirements for adequate WSPs in execution of customer block sized orders, concurrently handling multiple orders subject to time/price discretion, refraining from accepting short sale orders subject to SEC Rule 204T, order marking, sub-penny orders priced less than \$1.00 per share, and, rules applicable to the alternative trading systems (ATSs) and the electronic communication networks (ECNs) concerning filing Form ATS-R on a quarterly basis, and monitoring the 5 percent and 20 percent trading volume thresholds. The firm's WSPs failed to provide any of the minimum requirements for adequate WSPs in supervision of aggregation units, making an affirmative determination regarding customer short sale orders and order handling (SEC Rule 602 – One Percent Rule). ([FINRA Case #2008012606602](#))

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 \$100,000, and ordered to pay \$43,582.24, plus interest, in restitution. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it 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. The findings stated that in transactions for or with customers, 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. The findings also stated that the firm 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. ([FINRA Case #2009020188601](#))

Citigroup Global Markets Inc. (CRD #7059, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$60,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it transmitted Execution or Combined Order/Execution Reports to OATS that contained inaccurate, incomplete or improperly formatted data. OATS was unable to link the execution reports to the related trade reports in a FINRA transaction reporting system. The firm submitted Execution or Combined Order/Execution Reports for orders that were routed away for execution; the firm submitted Execution or Combined Order/Execution Reports it was not required to submit; the firm failed to append the required reporting exception code to Execution or Combined Order/Execution Reports, and also reported an incorrect account type code for two of these reports. The findings stated that the firm reported ROEs to OATS after the 5:00 a.m. deadline that OATS marked late; transmitted New Order Reports and related subsequent reports to OATS where the timestamp for the related subsequent report occurred prior to the receipt of the order; transmitted Execution or Combined Order/Execution Reports that contained inaccurate, incomplete or improperly formatted data so OATS was unable to link the reports to the related trade reports in a FINRA transaction reporting system; submitted Route or Combined Order/Route Reports to OATS that OATS was unable to link to the related order in The NASDAQ Market Center due to inaccurate, incomplete or improperly formatted data; submitted Route or Combined Order/Route Reports to OATS that OATS was unable to match to the receiving firm's related New Order Report; and was named as the "Sent to Firm" for reports other members sent to OATS that OATS was unable to match to a related New Order Report submitted to the firm. ([FINRA Case #2010023706001](#))

Credit Agricole Cheuvreux North America, Inc. (CRD #8010, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$45,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it reported last sale reports of transactions in designated securities to the FNTRF it was not required to report, and failed to report to the FNTRF the correct symbol indicating the capacity in which the firm executed on more than three million transactions in reportable securities. ([FINRA Case #2010024714801](#))

Dawson James Securities, Inc. (CRD #130645, Boca Raton, Florida) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$12,500. The firm already paid restitution to affected customers. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it sold (or bought) corporate bonds to (or from) customers and failed to sell (or 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 in transactions in Trade Reporting and Compliance Engine® (TRACE®)-eligible securities for or with customers, 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 were as favorable as possible under prevailing market conditions. ([FINRA Case #2009017443201](#))

EBX LLC dba Level ATS (CRD #138138, Boston, Massachusetts) 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 failed to report to the FNTRF the correct unit price for numerous transactions in NMS securities. The firm failed to report the trades to the fifth decimal place and limited its reports to the fourth decimal place. The sanctions take into account the fact that the firm discovered and corrected the systems issue that led to the violations prior to the commencement of FINRA's review in this matter. ([FINRA Case #2012031724601](#))

Finance 500, Inc. (CRD #12981, Irvine, California) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$17,500 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 report to the Over-the-Counter Trade Reporting Facility (OTCTRF) the correct related market center code. 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 FINRA rules. The firm's WSPs failed to provide for one or more of the minimum requirements for adequate WSPs in trade reporting, sale transactions, clearly erroneous trade filing and best execution. ([FINRA Case #2010021591601](#))

First Integrity Capital Partners Corp. (CRD #146049, West Palm Beach, Florida) 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 inaccurately reported to TRACE transactions reviewed by FINRA staff. The inaccurately reported trades consisted of purchases reported as sales, incorrect execution time and incorrect execution price. The findings stated that the firm failed to create and maintain accurate books and records for the transactions reviewed by FINRA staff. Specifically, the firm failed to create order tickets for some of the transactions. For other transactions, the order tickets failed to indicate time of execution and incorrectly marked purchases as sales. ([FINRA Case #2012030485301](#))

First Southwest Company (CRD #316, Dallas, Texas) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$55,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry

of findings that it failed to provide the Official Statement (OS) in a municipal securities offering to customers whose transactions settled on the same day. The findings stated that there were relevant transactions totaling \$1,625,271 that settled before the customers received the OS. The findings also stated that the firm, for more than a year, failed to timely submit the OS in two municipal offerings, failed to timely submit two remarketing supplements, failed to timely submit Securities Exchange Act Rule 15c2-12 exempt filings, and filed an inaccurate OS in one offering. The firm was required as the underwriter of a primary offering of municipal securities to submit the OS and information concerning exempt offerings to the Electronic Municipal Market Access (EMMA) system within one business day after receipt of the OS from the issuer, but by no later than the closing date. The filings were between one and 11 days late. ([FINRA Case #2012030723901](#))

Global Financial Services, L.L.C. (CRD #35699, Houston, Texas) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$13,500 and required to revise its supervisory system regarding OATS reporting deficiencies. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to transmit numerous ROEs to OATS on 188 business days. 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 FINRA rules concerning OATS reporting. ([FINRA Case #2012033124601](#))

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 \$125,000. 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 a FINRA Trade Reporting Facility (TRF) the correct symbol indicating the capacity in which it executed several million transactions in reportable securities. 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 FINRA rules concerning the reporting of correct capacity codes to a TRF. ([FINRA Case #2009020742301](#))

J.P. Morgan Clearing Corp. (CRD #28432, Brooklyn, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$20,000, 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 had a fail-to-deliver position at a registered clearing agency in an equity security that resulted from a long sale transaction, and did not close out the fail-to-deliver position by purchasing or borrowing securities of like kind and quantity within the time frame prescribed by SEC Rule 204(a) (1). The findings stated that the firm had fail-to-deliver positions at a registered clearing agency in an equity security that resulted from the sale of a security that a person is deemed to own pursuant to Rule 200 of Regulation SHO, and did not close out the fail-to-deliver positions by purchasing securities of like kind and quantity within the time frame

prescribed by SEC Rule 204(a)(2). 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 FINRA rules concerning short sales. The firm's WSPs failed to provide for one or more of the minimum requirements for adequate WSPs concerning Rule 203(a) and Rule 204. ([FINRA Case #2010021538801](#))

K.C. Ward Financial (CRD #145135, Ronkonkoma, 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 charged its customers a handling fee, in addition to a commission, on securities transactions. The findings stated that the handling fee was fixed at \$49 per transaction and was not attributable to any specific cost or expense incurred by the firm in executing the trade. The handling fee was determined by the firm, not by the individual representative executing the order. The findings also stated that although reflected on customer trade confirmations as a handling fee, the fee actually served as, primarily, a source of additional transaction-based remuneration or revenue to the firm, in the same manner as a commission, and was not directly related to any specific handling services the firm performed, or handling-related expenses the firm incurred, in processing the transaction. The findings also included that the firm's characterization of the charge was therefore improper. By designating the charge as a handling fee on customer trade confirmations, the firm understated the amount of the total commissions the firm charged and misstated the purpose of the fee. ([FINRA Case #2012034691101](#))

Merrill Lynch, Pierce, Fenner & Smith Incorporated (CRD #7691, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$17,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that as managing underwriter under two market participant identifiers (MPIDs), it failed to timely report new issue offerings in TRACE-eligible securities to FINRA in accordance with the requirements of FINRA Rule 6760(c). ([FINRA Case #2012032501601](#))

MML Investors Services, LLC (CRD #10409, Springfield, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$125,000 and ordered to pay a total of \$784,847.70 in restitution to investors. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to reasonably supervise its registered representatives in connection with their unapproved sale of certain private securities. The findings stated that the firm's WSPs stated that registered representatives were prohibited from participating in private securities transactions without the prior written approval of the CCO or his or her delegate. Despite this prohibition, and numerous red flags indicating that registered representatives were engaged in selling away, the firm did not reasonably monitor for or review these indications to determine whether unapproved private securities transactions were occurring at the firm. As a result of the firm's supervisory failures, certain registered

representatives recommended unapproved promissory notes to investors. The findings also stated that registered representatives sold unapproved promissory notes to investors who sustained losses of up to \$760,000 when the issuers of these promissory notes discontinued interest payments. The issuer of these unapproved promissory notes was later determined to be engaged in a multi-million dollar Ponzi scheme. The firm failed to detect that certain registered representatives were conducting unapproved sales from firm branch offices under a general agent's supervisory jurisdiction. The firm reviewed the supervisory issues log but did not take action despite entries indicating improper selling away. The findings also included that after months of continuous red flags of selling away and email warnings by an Agency Supervisory Officer (ASO), the firm's home office began its investigation into the sale of unapproved promissory notes by its registered representatives. The ASO's authority was limited to the extent that he could not discipline or impose sanctions against staff for misconduct without the General Agent's approval.

FINRA found that even though the firm had performed periodic supervisory reviews and audits of this particular location, it failed to uncover the sale of unapproved promissory notes occurring at the firm. During its internal investigation, the firm notified FINRA that the employment of registered representatives had been terminated in connection with their unapproved referrals to an outside entity. The firm investigated the concerns that the ASO raised about selling away activities occurring at the particular location, but the firm's investigation was not adequate and did not uncover its registered representatives' improper sales of promissory notes from firm offices. FINRA also found that although the firm was on notice that other registered representatives were referring investors to outside entities for the purpose of purchasing unapproved promissory notes, the firm did not adequately supervise the particular location or its General Agent in connection with the activities occurring at the location. As a result, certain registered representatives continued to refer clients to outside entities offering promissory notes, and at least one additional sale of unapproved promissory notes went undetected. At a certain point, all investors stopped receiving payments from the issuer. In addition, FINRA determined that despite the firm's investigation concerning other promissory note sales, the firm, for the first time, became aware of the promissory note sales after registered representatives reported to the firm that a state securities regulatory agency had interviewed them regarding their involvement with the promissory notes issued. ([FINRA Case #2009017118601](#))

Morgan Stanley & Co. LLC (CRD #8209, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$37,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it transmitted reports to OATS that contained inaccurate account type codes. The findings stated that the firm, as managing underwriter, failed to report to FINRA new issue offerings in TRACE-eligible agency debt securities and corporate debt securities according to the time frames set forth in FINRA Rule 6760(c). ([FINRA Case #2011026107201](#))

Pershing LLC (CRD #7560, Jersey City, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$68,500. 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 a long sale, and did not close the fail-to-deliver positions by purchasing securities of like kind and quantity within the time frame prescribed by SEC Rule 204T(a)(1). The firm had a fail-to-deliver position at a registered clearing agency in an equity security attributable to a market-making transaction executed by another broker-dealer and introduced to the firm for clearing only, and did not allocate the fail-to-deliver to the executing broker-dealer or close out the fail-to-deliver position by purchasing securities of like kind and quantity within the time frame prescribed by SEC Rule 204T(a)(3). The firm had fail-to-deliver positions at a registered clearing agency in an equity security that resulted from a short sale, and did not close the fail-to-deliver positions by purchasing or borrowing securities of like kind and quantity within the time frame prescribed by SEC Rule 204(a). In connection with the firm's failure to close out these fail-to-deliver positions, the firm failed to provide notice to all broker-dealers from which it received trades for clearance and settlement, including any market maker otherwise entitled to rely on the exception provided in Rule 203(b)(2)(iii) of Regulation SHO, that the firm has a fail-to-deliver position in an equity security at a registered clearing agency that has not been closed out in accordance with the requirements in SEC Rule 204, and when the purchase that the firm made to close out the fail-to-deliver position cleared and settled at a registered clearing agency, as prescribed by SEC Rule 204(c). The findings stated that the firm directly or indirectly effected 230 transactions during 50 trading halts. ([FINRA Case #2009018901101](#))

Princeton Securities Group, LLC (CRD #41233, Fort Lee, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$28,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it improperly classified an anticipated payroll tax refund as cash-on-hand, which caused the firm to have a net capital deficiency. The findings stated that as a result, the firm filed inaccurate FOCUS Reports for two months. The findings also stated that the firm maintained inaccurate books and records by maintaining inaccurate bank reconciliations and failing to properly account for expense accruals. The firm's bank reconciliation overstated the firm's cash book balance by approximately \$100,000. In addition, the firm failed to accrue approximately \$30,000 in transaction fees billed from an outside vendor. The findings also included that the firm failed to establish and maintain reasonable supervisory procedures and controls related to the reconciliation of bank accounts and expense accruals. The firm employed a part-time bookkeeper to prepare the firm's bank reconciliations and adjusting entries. Other than periodically reviewing the bank reconciliations performed by the part-time bookkeeper, the firm did not establish, maintain and enforce any additional procedures for supervising the bank reconciliation process. ([FINRA Case #2011029978301](#))

Securities Service Network, Inc. (CRD #13318, Knoxville, Tennessee) 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 establish, maintain and enforce a supervisory system and WSPs reasonably designed to achieve compliance with applicable securities laws, regulations, and FINRA and NASD rules, specifically for compliance with NASD Rule 2510. The findings stated that in this regard, the firm approved Limited Time and Price Discretionary Trading Authorization Agreements entered into by a registered representative with his customers in connection with accounts. The firm's WSPs were inadequate with respect to the supervision of transactions effected in accounts pursuant to the agreements, and, as a result, it failed to inquire whether the registered representative was disclosing the amount of shares to be purchased or sold prior to the execution of the trade. In addition, where a household had numerous individual accounts, the registered representative often obtained trading authorization from only a single account holder. The representative would consider an affirmative response from an individual of the household, who had a separate account and no trading authority for the other account(s), to apply to all of the household accounts. The firm failed to establish, maintain and enforce a supervisory system and WSPs to enable it to monitor whether each customer was being contacted and whether each customer provided advance approval for the trade pursuant to the agreement. In addition, the firm created inaccurate memoranda of the brokerage orders entered by its registered representative pursuant to the agreements. In each instance, the trades were designated as non-discretionary on the order memoranda, despite the fact that the firm was aware that the representative was using discretion. ([FINRA Case #2011025645901](#))

Seven Points Capital, LLC (CRD #144211, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$35,000 and required to revise its WSPs with respect to the locate requirements under Regulation SHO. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that on numerous occasions, it accepted short sale orders in an equity security from another person, or effected short sales in an equity security for its own account without borrowing the security, or entering into a *bona fide* arrangement to borrow the security; or having reasonable grounds to believe that the security could be borrowed so that it could be delivered on the date delivery is due; and documenting compliance with SEC Rule 203(b)(1) of Regulation SHO. 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 FINRA rules concerning the short sale locate requirement. ([FINRA Case #2011030205601](#))

Stifel, Nicolaus & Company, Incorporated (CRD #793, St. Louis, Missouri) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$52,500, ordered to pay \$1,791.93, 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 failed to timely report numerous ROEs to OATS, and

transmitted to OATS New Order Reports and related subsequent reports where the timestamp for the New Order Report occurred prior to the receipt of the order. The findings stated that the firm transmitted to OATS Route or Combined Order/Route Reports that it was unable to link to the related order routed to NASDAQ due to inaccurate, incomplete or improperly formatted data, or to the corresponding new order transmitted by the destination member firm or to the receiving firm's related New Order Report or in which the firm was named as the "Sent to Firm" due to inaccurate, incomplete or improperly formatted data. The findings stated that the firm transmitted rejected ROEs to OATS that it failed to repair with the ROE Resubmit flag or within the required five business days, and transmitted to OATS Execution Reports with an incorrect Firm Order Identification number. The findings also stated that the firm failed to execute orders fully and promptly. The firm failed to use reasonable diligence to ascertain the best inter-dealer markets and buy or sell in such market so that the resultant price to its customers was as favorable as possible under prevailing market conditions. The findings also included that the firm executed orders and failed to properly mark orders as long or short. The firm incorrectly designated as .PRP to the FNTRF last sale reports of transactions in designated securities.

FINRA found that the firm made available a report on the covered orders in NMS securities that it received for execution from any person that included incorrect information as to the execution time for orders and classification of order size bucket for one order. FINRA also found that the firm reported inaccurate information on customers' confirmations relating to commissions. In addition, FINRA determined 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 one or more of the minimum requirements for adequate WSPs in order handling, short sale transactions, anti-intimidation/coordination, and soft dollars accounts and trading. ([FINRA Case #2008014865002](#))

Stifel, Nicolaus & Company, Incorporated (CRD #793, St. Louis, Missouri) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$92,500, and ordered to pay \$16,723.23, plus interest, in restitution to firm customers. Subsequent to the receipt of the FINRA inquiry letters for this matter, the firm, on its own accord, made \$36,762.73 of the \$53,485.96 in restitution that FINRA suggested should be effected for the transactions identified in the reviews. The firm's actions were taken into consideration when determining the sanctions imposed in this matter. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it bought or sold corporate bonds from or to its customers, and failed to buy or sell such bonds at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to each at the time of the transaction, the expense involved and that the firm was entitled to a profit. The findings stated that the firm bought or sold municipal securities for its own account from a customer and/or sold municipal securities to a customer at an aggregate price (including any markup or markdown) 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 is entitled to a profit; and the total dollar amount of the transaction. The findings also stated that the firm failed to use reasonable diligence to ascertain the best inter-dealer market for the subject transactions, and buy or sell in such market so that the resultant price to its customers was as favorable as possible under prevailing market conditions. ([FINRA Case #2009017059501](#))

Watkins Financial Services, Inc. (CRD #103933, Farmington, Utah) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$10,000 and required to pay restitution to the customers who paid excessive commissions. 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 consented to the described sanctions and to the entry of findings that it charged commissions on certain purchases and sales of primarily low-priced securities that exceeded 5 percent, contrary to its WSPs, and that were not fair and reasonable, taking into consideration the factors as set forth in Interpretative Material-2440-1(b). As a result, the firm charged \$101,042.58 in excessive commissions in transactions. The findings stated that the firm failed to implement its supervisory system for the review of commissions charged as it failed to consider, for each specific transaction, the factors delineated in its own procedures and those listed in Interpretative Material-2440-1(b). ([FINRA Case #2012030465901](#))

Individuals Barred or Suspended

Carl Max Birkelbach (CRD #1177843, Registered Principal, Chicago, Illinois) was barred from association with any FINRA member in any capacity. The SEC sustained the disciplinary action taken by FINRA. The sanction was based on findings that Birkelbach failed to exercise appropriate supervision over a registered representative's handling of customers' account. In the face of red flags, Birkelbach failed to exercise appropriate supervision over the representative's handling of a customer's account and, when violations were detected, corrective actions to prevent future misconduct. The findings stated that Birkelbach allowed the representative to churn the customers' account for years while he did not take any meaningful action, never disapproved any trade and never questioned the amount of trading. The findings also stated that Birkelbach was aware of the representative's relevant disciplinary history and that he was the subject of arbitrations and numerous customer complaints, which should have prompted Birkelbach to heighten his supervision, but he failed to do so.

The decision has been appealed to the U.S. Court of Appeals for the Seventh Circuit. The bar is in effect pending review. ([FINRA Case #2005003610701](#))

Judy L. Chang aka Judy Chang Huckle (CRD #2485754, Registered Representative, Las Vegas, Nevada) 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, Chang consented to the described sanction and to the entry of findings that in connection with a FINRA investigation into a Uniform Termination Notice for Securities Industry Registration (Form U5) filed by a member firm reporting that Chang admitted that she violated company policy for failing to obtain genuine customer signatures on traditional life insurance applications and policy documents, FINRA requested that Chang provide information and documents, to which she refused. ([FINRA Case #2012034011701](#))

Wilfred J. Christian (CRD #5460418, Registered Representative, Washington, DC) 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 one year. The fine must be paid either immediately upon Christian'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, Christian consented to the described sanctions and to the entry of findings that he forged his ex-wife's signature on an insurance release form, an insurance settlement check, a bank checking account signature card, signature cards for bank certificate of deposit (CD) accounts and bank certificate of time deposit applications.

The suspension is in effect from August 19, 2013, through August 18, 2014. ([FINRA Case #2012033400601](#))

Richard Allan Danz (CRD #5502230, Registered Representative, St. Marys, Pennsylvania) 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, Danz consented to the described sanction and to the entry of findings that he became the treasurer of a humane society, a charitable organization that was a customer of his member firm, and failed to provide written notice to the firm of his position and to disclose his activities with the organization. The findings stated that as treasurer, Danz participated in the organization's operations, directed its financial affairs, and had sole control of and access to its financial records, brokerage account and bank account. The findings also stated that the funds of the organization's brokerage account at Danz' firm were placed in a bond fund. Danz improperly used and converted the customer's funds in separate ways for personal use, including selling securities in the brokerage account, transferring the proceeds to its bank account and writing checks on its bank account totaling \$260,308 payable to another entity that he controlled, using the funds to purchase a CD away from his firm for \$105,000, and withdrawing funds from the CD for himself or for another entity that he controlled, for \$26,239.81; and, finally, opening a line of credit away from his firm under the name of the humane society without its knowledge or approval, and making charges for \$2,529.58. Danz communicated with his firm by

telephone and email in furtherance of the scheme. Danz willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The findings also included that an elderly customer and another customer delivered funds in the form of checks totaling \$21,000 to Danz based on his representation that he would use their funds to purchase securities for them in their separate accounts at the firm. Contrary to Danz's representations, the funds were not used to purchase securities for the customers and were not deposited into their accounts at the firm. Instead, Danz deposited the funds into the bank account of an entity he controlled and converted the funds for his personal use, thereby, willfully violating Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. FINRA found that Danz failed to respond to FINRA requests for information and documents in furtherance of its investigation into this matter. ([FINRA Case #2012033132501](#))

Donald Gene DeWaay Jr. (CRD #1297174, Registered Principal, West Des Moines, Iowa) 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 10 business days. The fine must be paid either immediately upon DeWaay'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, DeWaay consented to the described sanctions and to the entry of findings that he conducted a conference call for potential investors in an entity's offering, and after review by his member firm's compliance department, subsequently made a recording of the conference call available to more potential investors. The findings stated that DeWaay's firm was a wholly owned subsidiary of the entity, of which DeWaay was the majority owner, and he was the main speaker on the conference call. During the conference call, DeWaay made multiple statements regarding his and his firm's business successes, methods and outlook that were unwarranted. DeWaay made several statements regarding the offering that were not fair and balanced, and that were misleading, exaggerated or unwarranted. The findings also stated that the conference call did not contain any supporting data or contextual information with which potential investors could evaluate the significance of these claims. DeWaay did not provide any information that would support or substantiate the claims made.

The suspension was in effect from September 3, 2013, through September 16, 2013. ([FINRA Case #2011030333801](#))

Robert Noonan Drake (CRD #1213804, Registered Principal, Lakeville, Connecticut) was fined \$5,000 and barred from association with any FINRA member in any principal or supervisory capacity. The National Adjudicatory Council (NAC) imposed the sanctions following appeal of an Office of Hearing Officers (OHO) decision. The sanctions were based on findings that Drake failed to reasonably supervise markups and markdowns in connection with a registered representative's sale of corporate bonds at the member firm, which resulted in the firm charging customers excessive and unfair markups and

markdowns. The NAC also found that Drake failed to establish, maintain, and enforce WSPs reasonably designed to ensure timely and accurate TRACE reporting. The NAC found that for a year, no corporate bond trades were reported to TRACE, although the firm executed eligible corporate bond transactions. Further, the firm's WSPs did not contain a description of any supervisory review to ensure the firm was reporting corporate bond transactions to TRACE. Neither the firm nor Drake, who was the principal responsible for establishing and maintaining the firm's WSPs, conducted any supervisory reviews to ensure proper reporting to TRACE. ([FINRA Case #2006005378502](#))

David Scott Drodgy (CRD #4878634, Registered Representative, Leesville, Louisiana) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$6,000 and suspended from association with any FINRA member in any capacity for 90 days. The fine must be paid either immediately upon Drodgy'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, Drodgy consented to the described sanctions and to the entry of findings that he was instructed by a customer of his member firm to exchange mutual fund shares valued at more than \$185,000 for a money market fund in order to reduce his market exposure; but instead of doing as the customer requested, Drodgy placed unauthorized trades by exchanging the fund shares for shares of a fixed income fund. The findings stated that a different customer met with Drodgy and asked to purchase additional shares to increase her holding in mutual funds. The firm required a specialty fund acknowledgment form for the transactions in each fund. Drodgy provided the customer with one specialty fund acknowledgment form, which she completed and signed. Drodgy did not inform the customer that a second form was required. Drodgy photocopied the customer's signature from the first form and used the photocopied signature to complete the second form. The findings also stated that Drodgy then submitted both forms to the firm as originals, causing his firm's books and records to be false since the customer had not completed and signed the second form.

The suspension is in effect from September 3, 2013, through December 1, 2013. ([FINRA Case #2011029153801](#))

Laura Anne Dudek (CRD #5392967, Associated Person, Natrona Heights, Pennsylvania) 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, Dudek consented to the described sanction and to the entry of findings that she signed a family member's name, without permission or authorization from the family member or a member firm, on Retirement Distribution or Internal Transfer Forms, which she used to withdraw funds from an Individual Retirement Account (IRA). The findings stated that Dudek instructed the firm to wire the funds to bank and brokerage accounts that she controlled. The findings also stated that in total, Dudek withdrew approximately \$29,000 from the IRA. Dudek transferred these funds to her accounts without permission

or authorization from the family member or the firm, and converted the funds for her own use and benefit. The findings also included that the family member was co-owner, with two minors, of United States savings bonds worth a total of \$600. Dudek was not an owner, co-owner or beneficiary of any of the bonds. Dudek signed the family member's name, without permission or authorization from the family member or the firm, on the bonds and Special Forms of Request for Payment of United States Savings and Retirement Securities, and caused the firm to guarantee the forged signatures on the Bond Redemption Forms as those of the family member.

FINRA found that on the forms, Dudek requested that the proceeds from the redemptions be directly deposited to a bank account held in her name, which she represented was for the benefit of the minors, and attempted to convert the proceeds of the bonds for her own use and benefit. FINRA also found that Dudek, without permission or authorization from the family member or the firm, submitted the bonds and the forms for processing. The bond redemptions were not processed because proceeds of a United States savings bond redemption can be deposited only into an account held in the name of a bond owner, and Dudek had requested that the proceeds be sent to an account held in her name. The forms and the bonds were returned to the family member. ([FINRA Case #2012032011101](#))

Angela Duyao (CRD #2139976, Associated Person, Gilroy, California) submitted an Offer of Settlement 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 Duyao'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 allegations, Duyao consented to the described sanctions and to the entry of findings that in order to obtain sufficient information to determine whether she had violated FINRA rules in processing a customer's unauthorized fund transfer requests, FINRA requested her sworn testimony, to which Duyao failed to appear and testify. The findings stated that FINRA had received a letter from Duyao that provided information responsive to an earlier FINRA request, but it did not provide a full response.

The suspension is in effect from September 3, 2013, through March 2, 2015. ([FINRA Case #2012031810102](#))

Robert Alexander Fair (CRD #5859975, Associated Person, Corona, 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 one month. The fine must be paid either immediately upon Fair'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, Fair consented to the described sanctions and to the entry of findings that he failed to obtain the necessary signatures on insurance policy delivery receipts from a customer. The findings

stated that instead, Fair signed his customer's signature and submitted the forms to the firm to expedite those transactions. During this time, the firm's procedures prohibited registered representatives from signing a client's signature under any circumstances.

The suspension was in effect from August 5, 2013, through September 4, 2013. ([FINRA Case #2012033863901](#))

Larry Eugene Fondren (CRD #2219186, Registered Principal, Malvern, 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 30 days. Without admitting or denying the findings, Fondren consented to the described sanctions and to the entry of findings that he failed to timely amend his Uniform Application for Securities Industry Registration or Transfer (Form U4) to disclose the material fact that he had an unsatisfied civil judgment against him. The findings stated that the civil judgment for about \$107,000 was entered against Fondren in the Court of Common Pleas for Philadelphia County, Pennsylvania.

The suspension is in effect from September 16, 2013, through October 15, 2013. ([FINRA Case #2012033782701](#))

Melanie Moody Fordham (CRD #4469670, Registered Representative, Birmingham, Alabama) 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, Fordham consented to the described sanction and to the entry of findings that on several occasions, Fordham converted funds from the account of a deceased banking customer, totaling approximately \$49,821. The finding stated that Fordham withdrew cash from the customer's account and purchased cashier's checks, which she then deposited into her personal bank account or made payable to other individuals or entities for her personal benefit. Fordham attempted to misappropriate \$5,000 from another banking customer but was prevented from depositing the cashier's checks into her personal account by one of the bank tellers. The findings also stated that Fordham was arrested and charged with this misconduct and she pled guilty to the Class B felony of theft of property in the 1st degree. ([FINRA Case #2013036366701](#))

Michael Eugene French (CRD #819126, Registered Supervisor, Essex, Vermont) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$25,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon French'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, French consented to the described sanctions and to the entry of findings that he recommended and traded leveraged and inverse exchange-traded funds (non-traditional ETFs) in the accounts of an elderly married couple. The findings stated that the firm's WSPs warned that non-traditional ETFs are speculative trading vehicles, and

French's customers advised him that they relied on the money in their accounts for their retirement. Notwithstanding the WSPs and the customers' needs, French recommended non-traditional ETFs to them based on his belief that global equity markets would decline and the securities would increase dramatically in value, thus recouping money that the customers had previously lost through a transaction that French recommended. In addition, the prospectuses for the non-traditional ETFs that French recommended to his customers and the firm's WSPs advised that the securities should not be held for more than one trading session or as long-term investments, but French held those products in his customers' accounts for periods as long as nine months and was frequently absent from work and unable to monitor their holdings. French recommended the non-traditional ETFs without having reasonable grounds for believing that the securities were suitable for his customers in view of their financial situation, investment objectives and needs. Additionally, French failed to understand the risks associated with investing in those securities. The customers lost at least \$29,000 of their principal because of their investments in non-traditional ETFs.

The suspension is in effect from August 19, 2013, through November 18, 2013. ([FINRA Case #2011029086901](#))

Kalif Gallego (CRD #5918304, Associated Person, Oklahoma City, Oklahoma) 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 Gallego'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, Gallego consented to the described sanctions and to the entry of findings that he forged the signatures and initials of customers of the insurance company where he was employed on documents related to life insurance policies. The findings stated that Gallego forged the signatures and initials of customers on policy application documents without the customers' knowledge or authorization in order to expedite the processing of their applications. Gallego also signed and initialed policy documents for customers with their knowledge and authorization as an accommodation when it was inconvenient for the customers to provide genuine signatures.

The suspension is in effect from August 19, 2013, through February 18, 2014. ([FINRA Case #2012033689701](#))

Karen Yvonne Geiger (CRD #1456604, Registered Representative, Akron, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$15,000, which includes disgorgement of commissions received of \$2,000, and suspended from association with any FINRA member in any capacity for 30 business days. Without admitting or denying the findings, Geiger consented to the described sanctions and to the entry of findings that she recommended and sold a total of \$206,000 of an illiquid and high-risk alternative

investment to a retired married couple. The findings stated that at the time the couple opened their securities accounts with Geiger, their main sources of income were a pension plan and social security payments. The couple informed Geiger that they had a moderate risk tolerance, their investment objective was long-term growth, and that one customer's investment knowledge was moderate while the other's was limited and they indicated that they had approximately 60 percent of their net worth in retirement/pension accounts. The couple also informed Geiger that they were seeking an investment that would generate income they could use to reduce their mortgage balance. The findings also stated that Geiger recommended that the couple invest in renewable secured debentures and provided them with a company's sales kit, which included a sales brochure and a prospectus. Geiger recommended they purchase the seven-year debentures, the longest maturity term the company offered. To help fund their purchase, the couple subsequently withdrew \$76,000 in cash that had been held in a conservative IRA and invested a total of \$206,000 in the debentures, which represented approximately 20 percent of their liquid net worth, which was a little more than \$1 million and approximately 14 percent of their total net worth, which was approximately \$1.3 million. The findings also included that Geiger distributed sales literature that contained misleading statements to the couple and other customers. The sales literature stated that the renewable secured debentures were secured by the corporate assets of the company, which consisted primarily of life insurance policies the company owned when, in fact, they were not secured by insurance policies. A table stated that the company held more than \$515 million in insurance policies. However, this \$515 million value was the face value of the policies and not their current value, a significantly lower number. FINRA found that as stated in the prospectus for the debentures, those policies were not collateral for the debentures and instead had been pledged as collateral for a separate line of credit.

The suspension was in effect from September 3, 2013, through October 14, 2013. ([FINRA Case #2012033508701](#))

David L. Goddard (CRD #4518082, Registered Representative, Sugar Land, 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, Goddard consented to the described sanction and to the entry of findings that FINRA requested that Goddard appear and provide on-the-record testimony regarding allegations that he engaged in undisclosed outside business activities and had undisclosed outside securities accounts. Subsequently, Goddard informed FINRA that he would not appear for testimony, and, consistent with his statements to FINRA, he did not appear as requested. ([FINRA Case #2012033460201](#))

Jeffrey Dru Griffin Jr. (CRD #3232749, Registered Representative, Toms River, New Jersey) 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, Griffin consented to the described sanction and to the entry of findings that he

formed a limited liability company, served as its sole member and manager, opened a bank account in its name, and did not disclose or provide written notice of his involvement with the company to his member firm. The findings stated that Griffin formed the company as a vehicle for soliciting potential investors to give him money that he would use to day trade ETFs. Subsequently, Griffin induced individuals to deliver checks to him, totaling \$324,000, based on his representations that he was an experienced Wall Street trader and that he would use the funds to trade securities at the company, which he represented was part of his FINRA firm. Contrary to his representations, Griffin did not have any experience as a trader and his company was not part of his member firm. Likewise, Griffin only placed \$100,000 in his company's account, which he lost day trading ETFs, while he converted and spent the remainder, minus \$22,000 that he returned to the individuals as distributions from the company) on personal expenses. The use of the individuals' funds for personal expenses was contrary to Griffin's representation that their funds would be used to purchase and sell securities through the company. Griffin willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The findings also stated that Griffin failed to respond in a timely manner to requests from FINRA for information and documents. ([FINRA Case #2012031564102](#))

Brion Patrick Harris (CRD #3199095, Registered Representative, Annapolis, Maryland) 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 one month. Without admitting or denying the findings, Harris consented to the described sanctions and to the entry of findings that he submitted customer subscription documents to his member firm that contained backdated signatures. The findings stated that the subscription documents were submitted on behalf of Harris' customers and were for investments totaling \$328,000 in the common stock of a real estate investment trust (REIT). Harris' understanding was that the REIT would accept new investors until a certain date so long as the subscription agreement was dated no later than an earlier date. Harris informed the prospective investors that their subscription documents needed to be dated on or before the earlier date if they wanted to invest in the REIT. Consequently, the customers and Harris backdated their respective signatures on several subscription documents. Harris did not inform his firm that the subscription documents contained backdated signatures. The firm, however, noted certain dating anomalies in the subscription packages and rejected each of the transactions.

The suspension is in effect from September 16, 2013, through October 15, 2013. ([FINRA Case #2012033574501](#))

William Edward Hogan II (CRD #4573091, Registered Principal, Minnetonka, Minnesota) 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, Hogan consented to the described sanction and to the entry of findings that he failed to provide documents and information and to appear for testimony in response to

several FINRA requests. The findings stated that FINRA issued these requests in connection with a cycle examination of Hogan's member firm, to which he and the firm provided an incomplete response, and an investigation concerning, among other things, the use of investor proceeds from an investment group of which Hogan served as the chief manager. Through counsel, Hogan informed FINRA that he would not provide the requested information or appear for testimony. ([FINRA Case #2013036782802](#))

Mark Christopher Hotton (CRD #2346843, Registered Principal, West Islip, New York) 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, Hotton consented to the described sanction and to the entry of findings that he improperly used and converted millions of dollars of customer funds, without the customers' knowledge or consent, for his own use and benefit.

The findings also stated that Hotton forged and falsified numerous documents and made numerous misrepresentations to his customers and others in order to further his fraudulent schemes and conversion of customer funds. Hotton provided the customers with fabricated statements for nonexistent accounts and false written statements about the value of their investments with him. Hotton forged the customers' signatures on letters of authorization causing the transfer of funds, which he converted. The findings also included that Hotton falsified net worth and investment objective information on the customers' account forms, falsely increasing their net worth and mischaracterizing their investment objective as speculation. Hotton made verbal and written misrepresentations to another customer regarding his recommendation to invest in a reverse convertible note that did not exist and regarding the source of funds for money that was returned to the customer.

FINRA found that Hotton fabricated order tickets for put option trades that were never placed and several memos to employees at his firm relating to fictitious put option orders, which he later gave to his firm, a customer and, eventually, FINRA. Hotton also fabricated and provided to the customer a series of misleading summaries that overstated the value of the customer's account by several million dollars, misstated profit or loss on particular trades, and included several fictitious put option trades. Hotton provided other customers with letters that falsely and misleadingly described the principal balance, timing and amount of interest payments, and accrued interest for their purported investments in non-existent notes.

FINRA also found that Hotton exercised control over customers' brokerage accounts at his firm, recommended and/or executed transactions that were excessive and unsuitable in light of the customers' investment objectives, risk tolerances and financial situations, and acted with the intent to defraud or with reckless regard for the customers' interests and for the purpose of generating commissions, willfully violating Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The findings also stated that contrary to customers' stated investment objectives and inconsistent with the customers'

financial condition, Hotton recommended risky and speculative investments in violation of his customer-specific suitability obligation. When Hotton recommended investments in leverages and inverse ETFs to his customers, he did not understand the features of leveraged and inverse ETFs. In particular, Hotton did not understand that the longer-term return of a leveraged or inverse ETF could deviate from the underlying index. Thus, Hotton failed to satisfy the reasonable basis suitability requirement in connection with his recommendations.

FINRA also found that Hotton executed numerous unauthorized trades in customers' accounts, without the the customers' knowledge, consent or authorization. The customers never gave written authorization to Hotton to exercise discretionary power in their account, nor did the customers ever give Hotton verbal time and price discretionary power. Hotton nevertheless executed transactions in the customers' accounts without their prior knowledge, consent or authorization. Moreover, FINRA found that Hotton loaned \$250,000 to firm customers. The firm's WSPs prohibited loaning money to customers except to immediate family members. Hotton never sought his firm's permission to loan money to the customers, and the firm did not pre-approve in writing the loan to the customers. The customers were not members of Hotton's immediate family, were not a financial institution regularly engaged in the business of providing credit or loans, or were registered persons at the firm.

In addition, FINRA determined that during on-the-record testimony and in response to questions posed by FINRA staff, Hotton falsely testified on numerous topics and provided false information and documents to FINRA.

The findings also stated that Hotton did not provide prompt written notice to his member firm of certain outside business activities, that he was employed by entities or accepted compensation from them, and his involvement with the entities was outside the scope of his employment relationship with the firm. Hotton also submitted, or caused to be submitted, numerous amended Forms U4 that willfully failed to disclose the material fact of his engagement in the outside businesses while he was employed by the firm. Hotton willfully failed to disclose the filing of an arbitration commenced against him by customers, and willfully failed to timely amend his Form U4 to disclose the commencement of federal action against him by the customers, or the temporary restraining order granted in that action. When Hotton finally amended his Form U4 to disclose the existence of the federal action, he falsely described the action as a business dispute between business partners. ([FINRA Case #2009017408101](#))

Carolyn Jayne Jackson (CRD #4715757, Registered Representative, Carrollton, Ohio) 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 four months. The fine must be paid either immediately upon Jackson'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, Jackson consented to the described sanctions and to the entry of findings that she willfully failed to amend her Form U4 to disclose an unsatisfied judgment and a bankruptcy filing, and provided false statements to her firm on annual compliance certifications regarding the judgment and bankruptcy.

The suspension is in effect from September 3, 2013, through January 2, 2014. ([FINRA Case #2012034849601](#))

Meghan E. Kassel (CRD #5667925, Registered Representative, Rancho Murieta, California) 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 three months. The fine must be paid either immediately upon Kassel'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, Kassel consented to the described sanctions and to the entry of findings that she submitted to her firm an application package to purchase a variable annuity for a customer that included a questionnaire, which the customer had signed. The findings stated that according to the questionnaire, the customer's listed expected age of use for the annuity would have resulted in the incurrence of surrender charges. The firm directed Kassel to obtain a statement from the customer acknowledging that the customer was aware of the potential charges. The findings also stated that in response to the firm's directive, Kassel made a copy of the questionnaire bearing the customer's signature and changed the expected age of use. Kassel then submitted the questionnaire to the firm without disclosing that the customer had not signed the questionnaire bearing the altered age of use.

The suspension is in effect from September 3, 2013, through December 2, 2013. ([FINRA Case #2012033252001](#))

Aaron Nash Kazinec (CRD #2371296, Registered Representative, Weston, Florida) 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, Kazinec consented to the described sanction and to the entry of findings that he offered various non-securities fixed annuity investments to insurance customers. The findings stated that Kazinec told the customers to write checks, in varying amounts, and leave the payee field blank and/or to make the checks payable to cash. The customers complied, believing that Kazinec would use the funds for investments he had offered to them away from his broker-dealer. Kazinec took the checks from the customers and deposited them into his own bank account. Kazinec never invested the funds for the customers, instead using the funds for himself without the customers' permission or knowledge. Kazinec misappropriated a total of \$745,250. The findings also stated that Kazinec failed to timely update his Form U4 to reflect the existence of a federal tax lien. ([FINRA Case #2012035005801](#))

Evan Matthew Kochav (CRD #4707447, Registered Representative, Jersey City, New Jersey) 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, Kochav consented to the described sanction and to the entry of findings that he failed to respond to FINRA requests for information regarding his control of his customer's brokerage account checkbook and his termination from his member firm. The findings stated that Kochav, through counsel, stated that he was not going to respond to FINRA's requests for information. ([FINRA Case #2013037185401](#))

Kevin Gerald Kolz (CRD #4031249, Registered Representative, Egin, Illinois) 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, Kolz consented to the described sanction and to the entry of findings that he failed to appear for a FINRA-requested on-the-record interview in connection with an investigation into the circumstances surrounding his termination from his member firm, and allegations that he may have misappropriated funds and liquidated securities positions for an outside investment. ([FINRA Case #2012032439601](#))

Thomas Michael Kueht (CRD #1066133, Registered Representative, Wauwatosa, Wisconsin) 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. Without admitting or denying the findings, Kueht consented to the described sanctions and to the entry of findings that he effected discretionary trades in the accounts of some of his customers without written authorization and without his member firm's acceptance of the accounts as discretionary.

The suspension was in effect from September 16, 2013, through October 4, 2013. ([FINRA Case #2012032838701](#))

Jonathan Tuthill Lawrence (CRD #2645097, Registered Representative, Fairport, 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 one month. The fine must be paid either immediately upon Lawrence'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, Lawrence consented to the described sanctions and to the entry of findings that he engaged in outside business activities by effecting insurance product sales away from his firm and by performing recruiting-related consulting services for a corporation, without giving prompt or prior written notice to the firm of those activities. The findings stated that Lawrence was compensated \$3,883 for the insurance sales and received shares of stock for the consulting services.

The suspension was in effect from September 3, 2013, through October 2, 2013. ([FINRA Case #2012033509701](#))

Robert Edward Lee Jr. (CRD #1824202, Registered Principal, Oxford, Connecticut) 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, Lee consented to the described sanction and to the entry of findings 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 findings stated 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 two of the stocks at any point 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 findings also stated that in connection with the purported purchases of stock, Lee told the customer that the dividends the stocks generated would be used to pay off the margin balance. Lee also falsely represented to the customer that the stocks were not reflected on his 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 the three stocks and that the account was just over \$350,000. Lee also falsely represented that the investments in these stocks had earned dividends of \$49,591.

The findings also included that when the customer asked him why he was not receiving statements showing the stocks' 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 monthly dividends, for their retirement. At the time of the meeting, the customer did not hold any shares of these three stocks. FINRA found that Lee appeared for sworn, 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 of the stocks, 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](#))

Alexander Earl Lessard (CRD #2978066, Registered Representative, Pasadena, California) submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any capacity for 30 business days and required to requalify by exam as a general securities representative by passing the Series 7 exam no later than 60 days following the completion of his suspension. In light of Lessard's financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Lessard consented to the described sanctions and to the entry of findings that he exercised discretion in a customer's accounts in connection with securities transactions, without the customer's written authorization or his member firm's written acceptance. The findings stated that Lessard failed to disclose on his firm's annual compliance questionnaires that he had exercised discretion in a customer account and that he was using personal email accounts for business purposes or to inform the firm of the email accounts. The findings also stated that these email communications with customers using personal accounts were not captured and maintained by the firm, preventing the firm from monitoring, reviewing and retaining these business communications, in contravention of the firm's written procedures. The findings also included that Lessard recommended and purchased shares of convertible preferred stock in the customer's firm account and the customer's investment advisory accounts, resulting in a cost basis on the total shares position of \$246,955.25. FINRA found that in the course of purchasing a company's convertible preferred stock for the customer's account, Lessard failed to determine accurately the nature of the security and incorrectly considered the security to be a debt instrument. Lessard, used a personal email account to send an email to the customer in which he negligently made written misrepresentations to the customer about the characteristics of the company's securities that he purchased in her accounts. As a result, the customer incurred a near total loss of the principal amount of her position in the company's convertible preferred stock.

The suspension was in effect from September 3, 2013, through October 14, 2013. ([FINRA Case #2010021521701](#))

Anthony Gerard Manaia (CRD #1506665, Registered Principal, Lake Angelus, Michigan) was fined \$54,472 and suspended from association with any FINRA member in any capacity for 30 business days. Because the private offering has been placed in receivership and the receiver is engaged in an ongoing effort to collect the issuer's assets to be distributed for the benefit of investors, FINRA did not request a restitution order, and the Hearing Panel declined to order restitution. The fine shall be due and payable on Manaia's return to the securities industry. The sanctions were based on findings that Manaia made negligent misrepresentations and omissions of material fact in a cover letter and in email communications to customers in connection with investments in private placements. The

findings stated that Manaia's member firm suspended the sales of a private placement when it discovered that the issuer had failed to make timely scheduled interest payments to several customers who held notes for a previous related private placement. The firm then decided that to let customers invest, they would have to sign hold-harmless letters in which they acknowledged that they were aware of the current defaults regarding the private offerings, and agreed to hold the firm and Manaia harmless for any loss incurred because of their investment. The findings also stated that the firm assigned to Manaia the responsibility for sending the hold-harmless letter. Manaia, without the firm's knowledge, wrote a cover letter with several misleading representations about the issuer and the offering, which he had received from the issuer, and directed his assistant to send it with the hold-harmless letter. Ultimately, some of his customers signed and returned the hold-harmless letter, and invested a total of \$1,345,000 in the private placement. The findings also included that Manaia failed to inform the customers in the cover letter that he was relying wholly on the issuer's representation and that he had no means by which to verify these representations. Other representations in the cover letter were also problematic because they were misleading. Failing to disclose these material facts allowed investors to repose unfounded confidence in the safety of the offering.

FINRA found that Manaia made misrepresentations about the issuer to customers separate from the cover letter by characterizing the investment as safe. Manaia acted both negligently and unethically by making these misrepresentations to customers while failing to disclose the risks inherent in the issuer's offerings. It was negligent to urge one of the customers to disregard the risk warnings in the supplemental private placement memoranda (PPM) by denigrating the value of regulatory requirements mandating that issuers disclose investment risks. FINRA also found that the Hearing Panel decision determined that Manaia did not fraudulently or recklessly make misrepresentations or omissions of material fact, as alleged in the complaint. Therefore, the Hearing Panel dismissed the cause of action alleging that Manaia violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5, and NASD Rules 2120 and 2110.

The suspension was in effect from August 19, 2013, through September 30, 2013. ([FINRA Case #2009018818101](#))

Richard Byers Manchester (CRD #1388336, Registered Principal, Laguna Hills, California) 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, Manchester consented to the described sanction and to the entry of findings that he participated in private placement offerings of limited liability corporations as a managing member, and contrary to the PPMs, investors' funds received were not returned when the minimum sales contingency offering was not met, and the funds were released to the issuers. The findings stated that by failing to establish qualifying escrow or trust accounts and failing to cause investor funds received by the firm to be deposited into such accounts, Manchester willfully violated Section 10(b) of the Securities Exchange Act

of 1934 and Rule 10b-9 thereunder. The findings also stated that pursuant to Exchange Act Rule 15c2-4, investor funds received before the satisfaction of the minimum sales contingencies were required to be, but were not, deposited into a bank escrow account or a trust account but were deposited into a bank account in the name of the issuers. The findings also included that Manchester caused a company, engaged in oil and gas drilling, to lend funds to the limited liability corporation when an entity controlled by him was the managing partner of the oil and gas company. Manchester also caused the oil and gas company to make loans to the entity he controlled. Promissory notes evidenced the debts, and Manchester executed the promissory notes on behalf of the corporation and on his entity's behalf. The corporation has not repaid the outstanding balances on the loans. The offering material provided to the oil and gas company represented that the funds invested would be used in the operation of its business and did not provide or suggest that either invested funds or proceeds of operations could be used to make loans to entities, causing such representations to be false and misleading, in willful violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. ([FINRA Case #2009020397101](#))

Robert Cutter Matlock Jr. (CRD #322907, Registered Principal, Prospect, Kentucky) 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 six months. The fine must be paid either immediately upon Matlock'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, Matlock consented to the described sanctions and to the entry of findings that he effected discretionary transactions in a customer's accounts without the customer's prior written authorization and without his firm's acceptance of the accounts as discretionary. The findings stated that the firm's WSPs prohibited the acceptance of discretionary authority by its registered representatives absent permission by the firm's president. The findings also stated that in compliance certifications Matlock submitted to the firm, he falsely represented to the firm that he did not exercise discretion in customer accounts.

The suspension is in effect from September 3, 2013, through March 2, 2014. ([FINRA Case #2012031887101](#))

David Walton Matthews Jr. (CRD #323097, Registered Principal, Longwood, Florida) submitted an Offer of Settlement in which he was fined \$10,000 and suspended from association with any FINRA member in any principal capacity for three months. Without admitting or denying the allegations, Matthews consented to the described sanctions and to the entry of findings that he failed to reasonably supervise outside business activities and private securities transactions of two registered representatives at his member firm, including the chief executive officer's (CEO's) brother. The individuals operated a company and sold investments away from the firm and solicited individuals to invest in their company. They arranged for investors, many of whom were firm customers, to hold their investments away from the firm's clearing firm with non-broker-dealer custodians. The

findings stated that Matthews was responsible for implementing WSPs for the firm, but failed to adequately implement the firm's procedures regarding participation in outside businesses and participation in private securities transactions. The findings also stated that although responsible for drafting and implementing supervisory practices and procedures at the firm, Matthews did not formulate WSPs for the use of outside custodians when he had that responsibility. The findings also included that through Matthews, the firm failed to supervise the individuals, who have since been barred from association with FINRA firms.

FINRA found that Matthews, contrary to the firm's compliance manual procedures and compliance questionnaires, did not require the individuals to submit written notice to the firm with the details of their managerial activities in their company, which was an outside business activity, or their solicitation of a customer's investment, which was a private securities transaction. Matthews did not acknowledge or approve in writing the individuals' participation in the sale of a promissory note to a customer's company and failed to document the conditions imposed by the firm for approval of the individuals' activities limiting them to soliciting investments only from a certain customer and prohibiting them from receiving selling compensation. FINRA also found that Matthews failed to make appropriate and reasonable inquiries prior to approving the brokers' involvement in their company. Matthews failed to determine their specific roles in the company, the company's financial condition and its business plan. In addition, FINRA determined that Matthews failed to take appropriate and reasonable steps to follow up after approving the brokers to engage in their outside business activities and when they did not comply with his request to submit new written requests for approval of their outside business activities. Matthews failed to document which customers he had approved one individual to solicit to invest in a second outside business. Because the individual was receiving selling compensation, the firm was required to record the sales on its books and records and supervise the individual's participation in the transactions, but the firm failed to do so,

The suspension is in effect from September 16, 2013, through December 15, 2013. ([FINRA Case #2009017195204](#))

Ted Bryson Morton (CRD #1016631, Registered Principal, Depew, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000, suspended from association with any FINRA member in any capacity for six months, required to remain current with all required payments to each customer consistent with the terms of their loan agreements, and within 10 days of the date of the AWC, provide a certification in writing to FINRA setting forth the total outstanding amount due to each customer. Each year that any amounts remain due and owing under any of the outstanding loans, Morton shall provide certification in writing to FINRA on or before December 31 of that year setting forth all payments he made on each loan during the year and the amount of the loan still outstanding and shall provide proof of such payments to FINRA. The fine must be paid either immediately upon Morton'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, Morton consented to the described sanctions and to the entry of findings that he borrowed approximately \$315,000 from customers of his member firm. The findings stated that the firm's written policies and procedures prohibited borrowing money from others, with exceptions only in limited circumstances, none of which were applicable to Morton's customer loans. Morton did not give written notice or obtain prior written approval from the firm for any of the loans he received from his customers. Morton has fully repaid three of his customers and has been making payments on the remaining outstanding loans. The findings also stated that Morton falsely stated on firm compliance questionnaires over four years that he had not borrowed from customers.

The suspension is in effect from September 3, 2013, through March 2, 2014. ([FINRA Case #2013036691101](#))

Brian Keith Nelson (CRD #5433967, Registered Representative, Milwaukee, Wisconsin) 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, Nelson consented to the described sanction and to the entry of findings that he met with a customer and had him sign a variable annuity application, a rollover form and an investor profile. The findings stated that the variable annuity application and rollover form falsely stated that the annuity would be funded with \$200,000 from the customer's existing 401(k) account. Nelson did not have any reason to believe that the customer actually possessed a 401(k) account worth \$200,000. Rather, Nelson intentionally inflated the value of the 401(k) account to obtain an advanced commission of \$4,000 from his member firm. The actual balance of the customer's 401(k) account was only \$2,000. The findings also stated that the firm credited Nelson's personal ledger at the firm with \$4,000 from the purported sale of the \$200,000 annuity to the customer. After paying certain expenses that he owed to the firm, Nelson withdrew the remainder of the \$4,000 commission and spent it. Because the firm never received any money from the 401(k) rollover to fund the premium of the variable annuity, it subsequently rejected the application and issued an offsetting debit of \$4,000 to Nelson. The findings also included that one day after the firm debited the \$4,000, Nelson forged the customer's signature on a second variable annuity application that stated that the annuity would be funded with \$250,000, and he also forged the customer's signature on the accompanying rollover form and investor profile. Once again, Nelson did not have any reason to believe that the customer possessed a 401(k) account worth \$250,000. Instead, Nelson forged and falsified the second variable annuity application to offset the firm's reversal of the original \$4,000 commission. The firm rejected the second application without issuing a commission because it detected irregularities in the customer's signatures. Nelson never repaid the firm the \$4,000 he received as a result of the original falsified annuity application. FINRA found that Nelson failed to provide documents or information requested by FINRA. ([FINRA Case #2012033167601](#))

Bret Warren Nilson (CRD #4819442, Registered Representative, Cedar Rapids, Iowa) 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 Nilson'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, Nilson consented to the described sanctions and to the entry of findings that he willfully failed to timely amend his Form U4 to disclose a felony charge and guilty plea for possession of a controlled substance.

The suspension is in effect from September 3, 2013, through March 2, 2014. ([FINRA Case #2013035661001](#))

Russell Lee Peace (CRD #5338575, Registered Representative, Globe, Arizona) 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 nine months. The fine must be paid either immediately upon Peace'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, Peace consented to the described sanctions and to the entry of findings that he was employed by an outside business, and was paid compensation; but he did not provide any notice, written or otherwise, to his member firm, and the firm never approved of this outside business activity. The findings stated that Peace engaged in the undisclosed outside business activity and benefitted from his continued association with his firm, after he began working for the outside business. Peace continued to receive health and dental benefits from his firm. The findings also stated that Peace failed to timely respond to FINRA's requests for information.

The suspension is in effect from August 19, 2013, through May 18, 2014. ([FINRA Case #2012034828101](#))

Arthur James Penna (CRD #851814, Registered Representative, Southfield, Michigan) 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 Penna'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, Penna consented to the described sanctions and to the entry of findings that he affixed his customer's signature to documents that were executed in connection with several equity-indexed annuity applications. The findings stated that another customer of Penna's sought an annuity from a company with which Penna was not registered. Penna asked a business associate, who was registered with the annuity company, to effectuate the transaction as agent-of-record. The findings also stated that Penna coordinated

the execution of the annuity documents with the customer and affixed the customer's signature when he realized that the customer neglected to sign a portion of the application. Penna provided the annuity documents to the business associate for submission to the annuity company without informing him that he signed the customer's name to the application.

The suspension is in effect from September 3, 2013, through March 2, 2014. ([FINRA Case #2012033554901](#))

John Morgan Pickens Jr. (CRD #4316358, Registered Representative, Scott Depot, 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, Pickens consented to the described sanction and to the entry of findings that he sent letters to his member firm's customers without the firm's knowledge or authorization, circumventing its procedures for reviewing and approving outgoing correspondence. The findings stated that the letters to the customers made false representations and/or promised unauthorized benefits regarding an investment product that each customer owned, and the firm did not have any knowledge that Pickens had made the representations and did not authorize such. The findings also stated that Pickens forged signatures on some of the letters, including signatures of his manager at the firm and his former colleague at his firm. Pickens also forged the signature of an officer at another company on a letter sent on the individual company's stationery. The findings also included that the letter to one customer stated that the firm would make specified payments to her with respect to variable annuities she owned. Thereafter, on several occasions without the customer's knowledge or authorization, Pickens caused a total of about \$7,714 to be withdrawn from a money market fund the customer owned and deposited into her variable annuities. ([FINRA Case #2013036045601](#))

Stephen Douglas Pizzuti (CRD #1461660, Registered Principal, Longwood, Florida) submitted an Offer of Settlement in which he was fined \$10,000 and suspended from association with any FINRA member in any principal capacity for three months. Without admitting or denying the allegations, Pizzuti consented to the described sanctions and to the entry of findings that as his member firm's managing principal and CEO, he failed to reasonably supervise outside business activities and private securities transactions of his brother and another individual, both registered representatives at the firm. The individuals operated a company and sold investments away from the firm and solicited individuals to invest their company. They arranged for investors, many of whom were firm customers, to hold their investments away from the firm's clearing firm with non-broker-dealer custodians. The findings stated that Pizzuti failed to adequately inquire into the individuals' outside business activities and involvement in private securities transactions, despite personal knowledge about both. Pizzuti further failed to follow up on red flags regarding these activities and failed to take reasonable steps to determine whether they were in compliance with NASD Rules 3030 and 3040 and the firm's corresponding policies

and procedures. Because of Pizzuti's business and personal relationships with his brother, he was or should have been aware of fundraising activities for the company his brother and the other individual owned, as well as the other individual's fundraising activities for another company. The findings also stated that Pizzuti failed to take reasonable steps to determine whether another individual was adequately carrying out the responsibility for supervising the registered representatives' outside business activity and private securities transactions that Pizzuti had delegated to him. The findings also included that Pizzuti learned of websites claiming that the company was a Ponzi scheme and having serious financial difficulties. These allegations constituted red flags that the individuals may have violated the conditions the firm imposed when it approved their participation in the company but Pizzuti did not take appropriate steps to investigate until after the firm received a customer complaint.

The suspension is in effect from September 16, 2013, through December 15, 2013. ([FINRA Case #2009017195204](#))

Philip Lynn Robertson (CRD #2714730, Registered Principal, Depauw, Indiana) 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. Without admitting or denying the findings, Robertson consented to the described sanctions and to the entry of findings that he failed to provide prior written notice to and obtain approval from his member firm of his outside business activity as the manager of a company he formed with a relative. The findings stated that Robertson's involvement with the company was as a passive investment, which he disclosed to his prior member firm. When Robertson became registered with his recent firm as part of a mass transfer from the prior firm, his firm accepted previous disclosures of outside business activities made by registered representatives as part of the mass transfer. The findings also stated that the company's operating agreement was amended and named Robertson as the company's manager. As the manager, Robertson's role was no longer a passive activity, yet he failed to provide prior written notice to his firm about his new outside business activity as the manager of the company.

The suspension was in effect from September 3, 2013, through September 23, 2013. ([FINRA Case #2011029951101](#))

Terry Gerard Roussel (CRD #1096602, Registered Principal, Laguna Niguel, 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 three months. Without admitting or denying the findings, Roussel consented to the described sanctions and to the entry of findings that he failed to timely amend his Form U4 to disclose tax liens filed against him by the Internal Revenue Service (IRS) and the California Franchise Tax Board (CFTB). The findings stated that Roussel received each of the lien notices at his residential address at around the time that the lien documentations were recorded.

The suspension is in effect from September 16, 2013, through December 15, 2013. ([FINRA Case #2011029837701](#))

David Daniel Ruozzi (CRD #3271663, Registered Representative, La Jolla, California) 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, Ruozzi consented to the described sanction and to the entry of findings that he failed to provide FINRA-requested documents and information and failed to appear for FINRA-requested testimony in connection with an investigation into his possible facilitation of an unlicensed currency exchange, selling away, maintenance of unapproved outside business interests and accounts, and unauthorized activity disclosed on his Form U5. ([FINRA Case #2011030662101](#))

Lucien Sanchez (CRD #2698092, Registered Representative, Sarasota, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any capacity for one month. In light of Sanchez's financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Sanchez consented to the described sanction and to the entry of findings that he borrowed \$10,000 from a customer, and, at the time of the loan, Sanchez was aware of his member firm's policies and procedures, which prohibited borrowing money from customers. The findings stated that subsequently, Sanchez associated with another member firm and failed to disclose that he had the outstanding loan from the customer. The findings also stated that Sanchez represented in annual compliance questionnaires to both firms that he had not borrowed any funds from customers.

The suspension is in effect from September 16, 2013, through October 15, 2013. ([FINRA Case #2012032298701](#))

John Conrad Smith (CRD #2536551, Registered Representative, Palm Springs, 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 three months. The fine must be paid either immediately upon Smith'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, Smith consented to the described sanctions and to the entry of findings that he accepted cash gifts in the amount of \$18,500 from an insurance customer. The findings stated that Smith's firm's written procedures generally prohibited registered representatives from accepting any payment, gift, loan or other remuneration from any securities or insurance customer. The firm's written procedures also prohibited registered representatives from commingling their funds with those of customers or acting in any manner that creates an appearance of impropriety.

The suspension is in effect from September 3, 2013, through December 2, 2013. ([FINRA Case #2012032953901](#))

Richard Howard Sullenger (CRD #1241442, Registered Principal, Paso Robles, California) 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 Sullenger's financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Sullenger consented to the described sanctions and to the entry of findings that he borrowed approximately \$1 million in total from customers of his member firm, two of whom were personal friends. The findings stated that Sullenger used the loan proceeds to meet personal and business financial obligations. Sullenger failed to notify and obtain his firm's prior written approval of the lending arrangements, in violation of its policy regarding loans with customers. The findings also stated that after Sullenger became registered with a different member firm, one of his former firm's customers from whom Sullenger borrowed money became a customer of his new firm. Sullenger failed to notify the new firm of the loan he received from this customer in violation of the firm's policy regarding loans with customers. The findings also included that in his prior firm's annual representative questionnaires, Sullenger reaffirmed his understanding that borrowing money without prior approval was prohibited and misrepresented on his annual questionnaires that he had not borrowed money from any customer.

The suspension is in effect from September 16, 2013, through March 15, 2014. ([FINRA Case #2012033630601](#))

Lucas Swanson (CRD #5141342, Registered Representative, San Francisco, California) 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 90 days. The fine must be paid either immediately upon Swanson'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, Swanson consented to the described sanctions and to the entry of findings that he received an email that he thought was from a bank customer requesting the information needed to send a wire transfer from her trust account with a bank to a third party. The findings stated that the request was from an imposter. Swanson emailed the imposter describing the information needed, and the imposter responded requesting a \$40,000 wire transfer to a third party account. Swanson explained in another email that the customer's father, as trustee of the trust account, needed to send a letter of authorization to initiate the wire transfer. The findings also stated that the imposter emailed Swanson a letter of authorization that appeared to be similar to letters that Swanson had previously received from the customer's father, including the account number for the trust, and after initially sending an unsigned letter, with a signature that appeared to match the father's signature in the bank's files. Swanson submitted the paperwork to a bank service officer for processing. Swanson received an email from one of the bank's service officers stating that the wire had been returned because the account to which it was directed was closed. Swanson relayed this information by email to the customer's email address,

and the imposter provided new wire instructions for a \$40,000 wire transfer to a different third party. The findings also included that Swanson did not request a new letter of authorization as required by bank procedures. Instead, Swanson created a new, fake letter of authorization by creating a new document on his computer, formatting it to resemble prior letters received from the father, and then cutting and pasting the father's signature into the new document. FINRA found that Swanson completed a bank wire transfer form falsely indicating that the customer had made the wire transfer request by telephone and that Swanson had performed the identity verification described in the bank's procedures. Swanson submitted the transaction form and fake letter of authorization for processing and the transfer of \$40,000 went through. The bank later reimbursed the customer.

The suspension is in effect from September 3, 2013, through December 1, 2013. ([FINRA Case #2011029764001](#))

James Glenn Tallant (CRD #1726582, Registered Representative, Abilene, Texas) submitted an Offer of Settlement in which he was fined \$15,000, which includes the disgorgement of commissions received of \$8,560.44, and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Tallant'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, Tallant consented to the described sanctions and to the entry of findings that he exercised discretion in the accounts of his member firm's customer without the customer's written authorization or the firm's acceptance of the accounts as discretionary. The findings stated that Tallant exercised actual control over the customer's accounts by engaging in discretionary trading without written authorization and exercised *de facto* control because the customer routinely followed Tallant's advice and was unable to evaluate his recommendations and to exercise independent judgment. Tallant's trading was unsuitable and excessive in size and frequency, in view of the customer's financial situation and needs.

The suspension is in effect from August 5, 2013, through November 4, 2013. ([FINRA Case #2010024050501](#))

Christopher Shawn Vaughn (CRD #4956822, Registered Representative, Leesburg, 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, Vaughn consented to the described sanction and to the entry of findings that he engaged in a scheme to convert securities owned by an 82-year-old customer Vaughn befriended. The findings stated that without the customer's knowledge or consent, Vaughn surreptitiously made his wife the primary beneficiary of the customer's brokerage account. When the account was opened, Vaughn did not inform his immediate supervisor, or any other supervisor at his member firm, that his wife was the named beneficiary. As part of his efforts to hide his misconduct, Vaughn provided a false mailing address for the customer on her

application, which was for a post office box belonging to his wife's grandfather, preventing the firm from delivering monthly account statements and trading confirmations to the customer at her actual residential address. By doing so, Vaughn caused his firm's books and records to be inaccurate. The findings also stated that after opening her account, Vaughn recommended and sold the customer a fixed annuity contract for \$10,000. The customer informed Vaughn that she wanted her neighbor to be named as the annuity's beneficiary. In direct contravention of the customer's instructions, Vaughn falsely recorded in the firm's electronic system that his wife was the annuity's primary and sole beneficiary. The findings also included that in connection with the annuity, Vaughn provided the same incorrect mailing address for the customer in the firm's system, thereby preventing the firm or the issuer of the annuity from delivering information concerning the customer's annuity to her actual residential address. After receiving an email communication from the company that issued the annuity inquiring about the accuracy of the customer's mailing address, Vaughn falsely represented to the company that the customer's address was correct, and that the customer had informed him that she had experienced delivery issues with the post office.

FINRA found that the customer received a packet of documents concerning her annuity, from which she learned for the first time that Vaughn's wife was named as the beneficiary of the annuity. The customer did not know who Vaughn's wife was. After being contacted by the customer's neighbor questioning the incorrect address and why his wife was named as the beneficiary, and indicating that the customer wanted her \$10,000 investment returned, Vaughn told the customer and her neighbor that he had mistakenly identified his wife as the beneficiary of the annuity because a member of his wife's family purchased a \$10,000 annuity at the same time and named his wife as the beneficiary. At her request, the customer's annuity contract was cancelled and the \$10,000 was refunded to her. FINRA also found that after the customer's neighbor informed Vaughn of the customer's death, he informed the neighbor that the customer contacted him to remove the neighbor as the beneficiary and instead named a hospice in her place. Vaughn promised to provide the neighbor with documentation to that effect, but he never did. Approximately one month after the customer's death, Vaughn opened a brokerage account in his wife's name for the express purpose of receiving the assets from the customer's account. Vaughn's wife then presented to his firm a death certificate that Vaughn obtained from the neighbor, and successfully caused the assets held in the customer's account to be transferred to his wife's brokerage account. The customer's account held mutual funds worth a combined \$22,417.58. In addition, FINRA determined that after learning that the customer's assets had been transferred to Vaughn's wife's account, the neighbor and the customer's attorney asked the firm to conduct an investigation into Vaughn's conduct with respect to the customer's account. The firm did not find any documentation evidencing the customer requested Vaughn's wife to be named as a beneficiary on either the account or annuity. The firm terminated Vaughn's employment in connection with this matter. Vaughn and his wife executed a Mutual Release and Settlement Agreement with the firm, agreeing to

transfer the assets held in the wife's account back to the customer's account or an account maintained in the name of the customer's estate. Vaughn's conduct resulted in the conversion of \$22,417.58 in assets from the customer. ([FINRA Case #2011028581201](#))

Jason Robert Westfort (CRD #2975365, Registered Representative, Lake Worth, Florida) 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, Westfort consented to the described sanction and to the entry of findings that he failed to provide FINRA-requested information and testimony during an investigation into allegations that he made an unauthorized withdrawal of funds from a client's account and failed to secure the funds as reported in his Form U5. ([FINRA Case #2013035683501](#))

David G. Zeng (CRD #4303055, Registered Representative, Santa Fe, New Mexico) 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, Zeng consented to the described sanction and to the entry of findings that he failed to respond to FINRA requests for information and documents and failed to appear and provide FINRA-requested testimony concerning several customer complaints that his former member firm became aware of after Zeng resigned from the firm. The findings stated that Zeng informed FINRA that he would not cooperate with FINRA's requests for testimony and documents in connection with this matter. ([FINRA Case #2012031136601](#))

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 August 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*.

Talman Anthony Harris (CRD #3209947, Registered Principal, Garden City, New York) and **William John Scholander (CRD #2938044, Registered Representative, New York, New York)** were barred from association with any FINRA member in any capacity. The sanctions were based on findings that Harris and Scholander took steps to acquire their own securities brokerage firm while they were still with a member firm. The findings stated that Harris and Scholander were encouraged and assisted by a promoter of U.S.-listed Chinese companies. Scholander and another individual went to China to visit a Chinese issuer to receive a payment to help the issuer with its offering to sell securities in the United States. The findings also stated that the issuer made a \$350,000 payment to an account set up in the name of the firm Harris and Scholander acquired, which they used to set up a new office of the firm. Harris and Scholander were directly reimbursed for some expenses from the issuer's payment. The findings also included that Harris and Scholander did not give prior written notice of their outside business activities to their firm. FINRA found that while

they were at their new firm, Harris and Scholander sold the issuer's securities to customers without disclosing the \$350,000 payment. The omission of that information was material because, without disclosure, investors were led to believe that Harris and Scholander were acting in their best interests, thereby deceiving the customers and committing fraud. FINRA also found that Harris and Scholander did not cause their new firm's violation of books and records requirements and dismissed the cause of action.

The decision has been appealed to the NAC and the sanctions are not in effect pending review. ([FINRA Case #2009019108901](#))

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 the allegations in the complaint.

Joseph Ronald Butler (CRD #2447535, Registered Representative, Brandywine, Maryland) was named a respondent in a FINRA complaint alleging that he drew a check in the amount of \$10,262 on the money market account of an elderly customer who suffered from progressive memory loss, and converted the customer's funds to his own benefit, to cover his state income tax liability. The complaint alleges that when Butler drew the check, he was aware that the customer's mental condition had been deteriorating for a few years. The complaint also alleges that Butler converted a total of \$26,000 of the customer's funds to his own benefit through checks he drew payable to cash from the customer's accounts, and an electronic transfer from the customer's account to his personal bank account. Butler falsely claimed that he used the funds for the customer's benefit and for a reimbursement of expenses he purportedly incurred on the customer's behalf. Butler did not have any receipts, bills or any other documentation to support his claims that the \$26,000 was used to reimburse himself for expenses he allegedly incurred on the customer's behalf. The complaint further alleges that Butler engaged in unethical behavior when he improperly used \$26,000 of the customer's funds without retaining any documents accounting for such expenses as required by law and in breach of his fiduciary duty to the customer. In addition, the complaint alleges that Butler's various roles in the customer's affairs were prohibited by his member firm's supervisory procedures, including acting as an executor/ executrix or personal representative, or joint tenant of a client account, other than an immediate family member. Butler was aware that he was prohibited from acting in these roles. Butler signed and submitted annual compliance questionnaires to the firm acknowledging that he was prohibited from acting as a power of attorney (POA), executor or personal representative on customer accounts. Moreover, the complaint alleges that

Butler acted in contravention of the firm's procedures, and he did not disclose to the firm that he had received the POA from the customer and through the POA was engaging in financial-related activities, such as writing checks. Butler failed to disclose to the firm that he had been named as a beneficiary on the customer's variable annuity and in her will, which were prohibited by the firm. Butler took unfair advantage of the customer by accepting these roles and responsibilities when he knew of her declining mental condition. Furthermore, the complaint alleges that Butler completed and submitted an annuity beneficiary change request form changing the beneficiaries on the customer's variable annuity, which she had purchased for \$453,000, to himself as a 90 percent beneficiary and to a charitable organization as a 10 percent beneficiary. The customer signed the form as the policyholder. Originally, she listed both of her granddaughters as 50 percent beneficiaries on the annuity contract. When Butler submitted the form, he falsely stated that he was the customer's son. ([FINRA Case #2012032950101](#))

Gregory Jerome Ptasienski Osborn (CRD #1716402, Registered Representative, Ridgewood, New Jersey) was named a respondent in a FINRA complaint alleging that he willfully made fraudulent misrepresentations and omissions of material facts in connection with the sale of securities in private offerings, conducted on behalf of issuers, and raised approximately \$5.09 million from investors through the sale of the issuers' offerings. The complaint alleges that in connection with the sale of the offerings, Osborn failed to disclose material facts concerning the financial condition of the issuers, including outstanding federal and state tax liens and one owner's personal debt. The complaint also alleges that Osborn received approximately \$100,000 in commissions and fees from the offerings. The complaint further alleges that Osborn failed to disclose to investors the material information that an issuer had failed to make any interest payments due under the notes, and continued selling the offering even after it began defaulting on the notes' interest payments. Only three investors, who were personally selected for repayment by Osborn and the owner, received their principal back. At the same time that Osborn was facilitating repayment of principal, an issuer, through Osborn, provided investors with additional warrants in lieu of interest. Osborn failed to disclose the material information to new investors that funds designated for investment in the offerings would be used to selectively redeem the investments of earlier investors or an investor. In addition, the complaint alleges that Osborn, in connection with an offering, never disclosed material facts to prospective investors of his significant ownership stake in the offering, or his \$310,000 financial investment in the company, both conditions that created potential conflicts of interest. By misrepresenting and omitting material facts, Osborn willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

Moreover, the complaint further alleges that Osborn exercised control over issuers' offering funds in escrow accounts. Osborn converted \$127,265.29 in customer funds that were supposed to be invested in the issuers' offerings by directing wire transfers from escrow accounts to his personal bank account to pay personal expenses. Furthermore, the complaint alleges that as a result of the commingling of funds in an escrow account,

Osborn misused \$200,000 in customer funds from issuers' offerings to make payments to, or on behalf of, another issuer's offering. The issuer did not have any authority to receive funds from the other issuers' under the terms of each of these offerings. The complaint also alleges that Osborn willfully failed to amend his Form U4 to disclose the material fact that he had an unsatisfied federal tax lien against him in the amount of \$265,755. ([FINRA Case #2011025438901](#))

Louis Ottimo (CRD #2606438, Registered Representative, Syosset, New York) was named a respondent in a FINRA complaint alleging that he failed to disclose or timely and accurately disclose on his Form U4 liens, judgments and an organization's bankruptcy. The liens, judgments, and the organization's bankruptcy all constituted material facts for purposes of Form U4 disclosures, and Ottimo's failure to disclose them on his Form U4 was willful. The complaint alleges that Ottimo willfully made material misrepresentations and omitted material facts in a PPM concerning his prior business experience. Ottimo created a special purpose vehicle to purchase shares of social media companies, namely Facebook, prior to the initial public offerings of such companies. The special purpose vehicle sold shares to member firm customers using means of interstate commerce, including email, United States mail, electronic transfers and checks drawn on United States banks. Ottimo knew or was reckless in not knowing, that the special purpose vehicle's PPM contained these material misrepresentations and omissions. The complaint also alleges that Ottimo willfully violated Section 10(b) of the Securities Exchange Act and Rule 10b-5 thereunder. ([FINRA Case #2009017440201](#))

Matthew Joseph Sheerin (CRD #2859126, Registered Representative, Manhasset, New York) was named a respondent in a FINRA complaint alleging that he possessed information that was material, non-public information and had a duty to his affiliate member firm pursuant to a Confidentiality Agreement to keep the information confidential. The complaint alleges that Sheerin also had a duty to his FINRA member firm pursuant to its Supervisory and Compliance Procedures to not disclose the information to another person without a need to know. Sheerin breached these duties by disclosing confidential information to a close friend who was a registered representative of another member firm regarding a company's earnings report and, within 30 minutes of the conversation, the friend purchased shares of the company. In so doing, Sheerin acted with scienter because he either knew, or was reckless in not knowing, that he was doing so in breach of his duties to keep the information confidential and not disclose it in willful violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The complaint also alleges that the firm's Supervisory and Compliance Procedures with respect to insider trading state that no employee while in possession of material non-public information about a company or the market for a company's securities may trade on the information or disclose the information to a second person who has no official need to know. ([FINRA Case #2011027926301](#))

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

Antaeus Capital, Inc. (CRD #627)
Los Angeles, California
(August 14, 2013)

Corby Capital Markets, Inc. (CRD #7165)
Boston, Massachusetts
(August 15, 2013)

Great Circle Financial (CRD #8658)
Reno, Nevada
(August 15, 2013)

John Thomas Financial (CRD #40982)
New York, New York
(August 16, 2013)

The Keystone Equities Group, L.P. (CRD #127529)
Ambler, Pennsylvania
(August 12, 2013)

Landmark Investment Group, Inc. (CRD #44602)
Secaucus, New Jersey
(August 15, 2013)

MS Securities Services Inc. (CRD #14276)
New York, New York
(August 12, 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.)

Obsidian Financial Group, LLC (CRD #104255)
Woodbury, New York
(August 1, 2013)

Obsidian Financial Group, LLC (CRD #104255)
Woodbury, New York
(August 29, 2013)

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.)

Scott Akashi (CRD #5690198)
Honolulu, Hawaii
(August 23, 2013)
FINRA Case #2012035315801

Jeffrey Lee Anderson (CRD #2285320)
Naples, Florida
(August 26, 2013)
FINRA Case #2013035743301

Angel Manuel Aviles (CRD #4943291)
Orlando, Florida
(August 20, 2013)
FINRA Case #2013035905101

Frank J. Baker (CRD #3214470)
 Surprise, Arizona
 (August 26, 2013)
 FINRA Case #2012034649701

Thomas J. Bilotti (CRD #5987420)
 Boynton Beach, Florida
 (August 26, 2013)
 FINRA Case #2012033441001

Armen Carapetian (CRD #1092359)
 Glendale, California
 (August 26, 2013)
 FINRA Case #2012034369301

Andre Leon Davis Jr. (CRD #5633997)
 Bowie, Maryland
 (August 19, 2013)
 FINRA Case #2012031489001

Ahmad Sufian Elashqar (CRD #5144209)
 San Antonio, Texas
 (August 27, 2013)
 FINRA Case #2012033661101

Anthony John Fisher (CRD #2428633)
 Boca Raton, Florida
 (August 27, 2013)
 FINRA Case #2012031392401

Robert Gomez (CRD #5501082)
 North Bergen, New Jersey
 (August 23, 2013)
 FINRA Case #2013035572401

James Grover Green III (CRD #1008642)
 Wallingford, Connecticut
 (August 23, 2013)
 FINRA Case #2012034451601

Brenan Joe Hall (CRD #4262046)
 Louisville, Kentucky
 (August 26, 2013)
 FINRA Case #2012033869801

Darwin Hayle (CRD #4952487)
 Margate, Florida
 (August 26, 2013)
 FINRA Case #2013036074301

Zhan He (CRD #2379384)
 Glen Cove, New York
 (August 23, 2013)
 FINRA Case #2012034474901

Robert Leland Johnson IV (CRD #4159549)
 Chino, California
 (August 23, 2013)
 FINRA Case #2012034667301

Adam Chadwick Ketcham (CRD #4703288)
 Ft. Wright, Kentucky
 (August 23, 2013)
 FINRA Case #2012034912801

Derl Harry Knarr (CRD #1044421)
 Herndon, Pennsylvania
 (August 23, 2013)
 FINRA Case #2013035801401

Albert Edward Laughlin III (CRD #4365578)
 Memphis, Tennessee
 (August 26, 2013)
 FINRA Case #2012032647001

James Adam McGregor Sr. (CRD #2888071)
 Jacksonville, Florida
 (August 26, 2013)
 FINRA Case #2013035800101

Kathy L. Mertz (CRD #2718675)
 St. Marys, Pennsylvania
 (August 26, 2013)
 FINRA Case #2013035528701

David James Mura (CRD #2238675)
 Victor, New York
 (August 12, 2013)
 FINRA Case #2012034094001

Damian Perna (CRD #5666396)
Oceanside, New York
(August 19, 2013)
FINRA Case #2013036104901

James William Pickens III (CRD #5228650)
Fairborn, Ohio
(August 26, 2013)
FINRA Case #2012034616101

Waldyr Silva Prado (CRD #3170209)
Miami Beach, Florida
(August 19, 2013)
FINRA Case #2013035838001

Duane Matthew Robinson (CRD #5335918)
York, South Carolina
(August 26, 2013)
FINRA Case #2013036090401

Michael Christian Rogers (CRD #4301120)
Austin, Texas
(August 26, 2013)
FINRA Case #2012033799901

Jose A. Salas (CRD #6132412)
Lawrence, Massachusetts
(August 23, 2013)
FINRA Case #2012034959501

Cecilia Marie DiCaprio Schiffer (CRD #2187044)
Orlando, Florida
(August 26, 2013)
FINRA Case #2011027666901

Ryan David Stauffacher (CRD #5669937)
Moline, Illinois
(August 23, 2013)
FINRA Case #2012035373701

Mark Steven Steckler (CRD #2652674)
New Hartford, New York
(August 20, 2013)
FINRA Case #2012034721701

Thomas John Susan Jr. (CRD #2488808)
Santa Paula, California
(August 23, 2013)
FINRA Case #2012034839701

John E. Tatman Jr. (CRD #4358671)
Mason, Ohio
(August 20, 2013)
FINRA Case #2012033497601

Trelicia Thomas (CRD #6092608)
Lake Forest, Illinois
(August 23, 2013)
FINRA Case #2012034560901

Rhonda Kay Vincent (CRD #5437772)
Hillsboro, Missouri
(August 26, 2013)
FINRA Case #2013035418501

Robert Douglas Wickard (CRD #2552722)
Canonsburg, Pennsylvania
(August 23, 2013)
FINRA Case #2012035283201

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.)

Eric Andrew Bohl (CRD #6112815)
Lake Forest, Illinois
(August 26, 2013)
FINRA Case #2013035584701

Jonathan Warren Brooks (CRD #4039141)
Aiken, South Carolina
(August 19, 2013)
FINRA Case #2012033462601

Betty Cerenord (CRD #5889984)

Miami, Florida
(August 26, 2013)
FINRA Case #2013036593301

Jun Rong Chen (CRD #2882820)

Brooklyn, New York
(August 19, 2013 – September 17, 2013)
FINRA Case #2013035695501

John M. Grammatico II (CRD #5081102)

Mount Clemens, Michigan
(June 10, 2013 – August 23, 2013)
FINRA Case #2012033993401

Dan Parker Hicks (CRD #5048496)

Plymouth, Massachusetts
(August 26, 2013)
FINRA Case #2013036041701

David Harrison McCartney (CRD #4168518)

Tucson, Arizona
(August 26, 2013)
FINRA Case #2012031158201

Robert William McKinnon (CRD #1664334)

Amherst, New York
(August 26, 2013)
FINRA Case #2013036984401

Todd Alan Miller (CRD #2450006)

Ankeny, Iowa
(August 19, 2013)
FINRA Case #2012034066401

Todd Matthew Plate (CRD #5249313)

San Diego, California
(August 30, 2013)
FINRA Case #2013036854001

George Yusuf Salameh (CRD #4251013)

Jacksonville, Florida
(August 2, 2013)
FINRA Case #2013037096201

Praveen Sethi (CRD #4725277)

Murphy, Texas
(August 19, 2013)
FINRA Case #2013035345001

Robert Bailey Setser (CRD #1005169)

Redwood City, California
(August 8, 2013)
FINRA Case #2012033838801

Katherine Ileen Swaringen (CRD #2307917)

Murray, Utah
(August 26, 2013 – August 28, 2013)
FINRA Case #2013036298901

Albert Anthony Terc (CRD #2460241)

Montclair, New Jersey
(August 19, 2013)
FINRA Case #2013036648301

Harley Alyn Thompson (CRD #2308494)

Fulton, New York
(August 15, 2013)
FINRA Case #2012032836201

Thomas Anthony Vetrick (CRD #4233732)

Dublin, Ohio
(August 2, 2013)
FINRA Cases
#2012032576501/2013035405701

Jeffery Scott Willis (CRD #2146730)

Covington, Georgia
(August 19, 2013)
FINRA Case #2012035158101

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.)

Tsarina Lau Branyan (CRD #5628096)
Huntington Beach, California
(August 29, 2013)
FINRA Arbitration Case #12-02921

John Anthony Cavanaugh (CRD #4981648)
Fair Grove, Missouri
(August 12, 2013)
FINRA Arbitration Case #12-00980

Richard Lee Chan (CRD #3233288)
San Francisco, California
(August 29, 2013)
FINRA Arbitration Case #11-02413

Terri Jo Evans (CRD #3031297)
Viola, Wisconsin
(September 8, 2011 – August 22, 2013)
FINRA Arbitration Case #10-04211

Anthony John Fisher (CRD #2428633)
Boca Raton, Florida
(August 9, 2013)
FINRA Arbitration Case #12-01465

Mark Brandon Green (CRD #5240801)
Pacific, Missouri
(August 15, 2013)
FINRA Arbitration Case #12-03103

Karl Edward Hahn (CRD #2487638)
Portsmouth, New Hampshire
(August 15, 2013)
FINRA Arbitration Case #11-00603

Osbert Hewin Haynes Jr. (CRD #2880011)
New York, New York
(August 21, 2013 – September 17, 2013)
FINRA Arbitration Case #12-02209

Ronald August Lachini Jr. (CRD #4444051)
Medina, Washington
(August 9, 2013)
FINRA Arbitration Case #12-01443

Kris Kendrick Larson (CRD #1795373)
Fullerton, California
(August 15, 2013)
FINRA Arbitration Case #12-03327

Nathan J. Lorbietzki (CRD #2904494)
Las Vegas, Nevada
(August 9, 2013)
FINRA Arbitration Case #10-02660

Abed William Lulu (CRD #2625609)
Westbury, New York
(August 6, 2013 – August 9, 2013)
FINRA Arbitration Case #09-04558

Ronald Marvin (CRD #722277)
Weston, Connecticut
(August 9, 2013)
FINRA Arbitration Case #11-04678

Shawn Anthony Mesaros (CRD #2336693)
Seattle, Washington
(August 15, 2013)
FINRA Arbitration Case #10-04614

Christopher Edward Pierce (CRD #1471061)
Overland Park, Kansas
(August 9, 2013)
FINRA Arbitration Case #12-02615

Jon Edward Piwowarczyk (CRD #723254)
South Dartmouth, Massachusetts
(August 9, 2013)
FINRA Arbitration Case #11-03819

James Michael Rapuano Jr. (CRD #4900969)
Branford, Connecticut
(August 9, 2013)
FINRA Arbitration Case #12-01861

Jaime Felipe Rojas Duputel (CRD #5573306)
Miami, Florida
(August 29, 2013)
FINRA Arbitration Case #12-02733

Anthony Patrick Salamone (CRD #4073744)
Levittown, New York
(August 15, 2013)
FINRA Arbitration Case #12-00341

Richard Mark Schmerman (CRD #1302988)
Phoenix, Arizona
(August 22, 2013)
FINRA Arbitration Case #12-00389

David Alan Theis (CRD #1422471)
Buffalo, Minnesota
(August 29, 2013)
FINRA Arbitration Case #11-03704

Victor Valdez (CRD #5308277)
West Covina, California
(August 15, 2013)
FINRA Arbitration Case #12-03590

Steven Scott Williams (CRD #1834331)
Dallas, Texas
(September 28, 2011 – August 8, 2013)
FINRA Arbitration Case #09-00906

FINRA Fines Oppenheimer & Co., Inc. \$1.4 Million for Sale of Unregistered Penny Stocks and Anti-Money Laundering Violations

The Financial Industry Regulatory Authority (FINRA) announced that it has fined Oppenheimer and Co., Inc. \$1,425,000 for the sale of unregistered penny stock shares and for failing to have an adequate anti-money laundering (AML) compliance program to detect and report suspicious penny stock transactions. Oppenheimer is also required to retain an independent consultant to conduct a comprehensive review of the adequacy of Oppenheimer's penny stock and AML policies, systems and procedures. Oppenheimer agreed to the sanctions to resolve charges first brought against the firm in a FINRA complaint in May 2013.

Brad Bennett, FINRA Executive Vice President and Head of the Department of Enforcement, said, "Broker-dealers are required by federal securities laws and FINRA rules to monitor customers' accounts so that those accounts are not used for illegal activities, such as money laundering and penny stock schemes that can cause considerable harm to investors. If Oppenheimer had an adequate AML and supervisory program in place, it would have made further inquiry into the penny stock sales that were the basis of this action."

FINRA found that from Aug. 19, 2008, to Sept. 20, 2010, Oppenheimer, through branch offices located across the country, sold more than a billion shares of twenty low-priced, highly speculative securities (penny stocks) without registration or an applicable exemption. The customers deposited large blocks of penny stocks shortly after opening the accounts, and then liquidated the stock and transferred proceeds out of the accounts. Each of the sales presented additional "red flags" that should have prompted further review to determine whether the securities were registered. FINRA also found that the firm's systems and procedures governing penny stock transactions were inadequate, and were unable to determine whether stocks were restricted or freely tradable. Oppenheimer also failed to conduct adequate supervisory reviews to determine whether the securities were registered.

FINRA also found that Oppenheimer's AML program did not focus on securities transactions and therefore failed to monitor patterns of suspicious activity associated with the penny stock trades. In addition, Oppenheimer failed to conduct adequate due diligence on a correspondent account for a customer that was a broker-dealer in the Bahamas, and therefore a Foreign Financial Institution under the Bank Secrecy Act; the firm's failure contributed to Oppenheimer's failure to understand the nature of the customer's business and the anticipated use of the account, which was to sell securities on behalf of parties not subject to Oppenheimer's AML review. This is the second time Oppenheimer has been found to have violated its AML obligations.

In concluding [this settlement](#), the firm neither admitted nor denied the charges, but consented to the entry of FINRA's findings.

FINRA Fines Morgan Stanley \$1 Million and Orders Restitution of \$188,000 for Best Execution and Fair Pricing Violations in Customer Bond Transactions

The Financial Industry Regulatory Authority (FINRA) announced that it has fined Morgan Stanley Smith Barney LLC and Morgan Stanley & Co. LLC \$1 million and ordered \$188,000 in restitution plus interest for failing to provide best execution in certain customer transactions involving corporate and agency bonds, and failing to provide a fair and reasonable price in certain customer transactions involving municipal bonds. The requirement to pay restitution is in addition to restitution that Morgan Stanley paid previously to customers for transactions covered by this settlement.

FINRA found that Morgan Stanley failed to use reasonable diligence to ensure that the purchase or sale price to the customer was as favorable as possible under current market conditions in 116 customer transactions involving corporate and agency bonds. Additionally, in 165 transactions involving municipal bonds, Morgan Stanley failed to purchase or sell bonds at prices reasonably related to the fair market value of the subject security.

Thomas Gira, Executive Vice President, FINRA Market Regulation, said, “Firms must ensure that customers who buy and sell securities—including corporate, agency, and municipal bonds—receive execution prices that are consistent with prices available in the marketplace. FINRA will continue to sanction firms that execute fixed income transactions for their customers at unfair prices, and will require firms that violate such standards to reimburse customers.”

In concluding [this settlement](#), Morgan Stanley neither admitted nor denied the charges, but consented to the entry of FINRA’s findings.