

# Disciplinary and Other FINRA Actions

## Firms Fined

**Alpine Securities Corporation (CRD #14952, Salt Lake City, Utah)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$18,500 and required to revise its written supervisory procedures regarding order handling, best execution, trade reporting, sales transactions, Securities and Exchange Commission (SEC) Regulation SHO and the Order Audit Trail System™ (OATS™). Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to disclose correct information on customer confirmations. 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 order handling, best execution, trade reporting, sales transactions, SEC Regulation SHO and OATS. **(FINRA Case #2008013885401)**

**Chapdelaine & Co. (CRD #7017, New York, New York)** 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 it failed to report correct information to the Real-Time Transaction Reporting System (RTRS) for interdealer transactions in municipal securities, and improperly reported information to the RTRS that it should not have reported. **(FINRA Case #2008015143101)**

**Dinosaur Securities, L.L.C. (CRD #104446, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$25,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it allowed representatives to effect trades for their customers and earn commissions totaling \$19,506.42 while the representatives were not registered with FINRA through any member firm. The findings stated that the firm paid the representatives "retention payments/advances" based on commissions generated from account activity. **(FINRA Case #2007009268201)**

## Reported for August 2009

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).

**Direct Access Partners LLC (CRD #120950, New York, New York)** 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 it failed to transmit all of its Reportable Order Events (ROEs) to OATS that it was required to transmit. 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 #2006004473601)**

**Fidelity Brokerage Services LLC (CRD #7784, Smithfield, Rhode Island)** 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 sold corporate bonds to customers and failed to sell the bonds at a price that was fair and reasonable, taking into consideration all relevant circumstances, including market conditions with respect to each bond at the time of transaction, the expense involved and that the firm was entitled to a profit. **(FINRA Case #2007010414201)**

**GFI Securities LLC (CRD #19982, New York, New York)** 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 it incorrectly designated last sales reports of transactions in designated securities to the NASD®/NASDAQ Trade Reporting Facility™ (NNTRF™), incorrectly reported principal trades with a riskless capacity and failed to identify the second leg of riskless principal transactions. **(FINRA Case #2007010819301)**

**Institutional Capital Management, Inc. (CRD #41055, Houston, Texas)** 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 engaged in a securities business without having the required net capital, and that the firm's financial records were inaccurate because they failed to include all of the firm's liabilities. **(FINRA Case #2008011606901)**

**INTL Trading, Inc. (CRD #45993, Altamonte Springs, Florida)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$10,000 and ordered to pay \$355.12, plus interest, in restitution to customers. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that, in OTC Bulletin Board® (OTCBB) 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. **(FINRA Case #2008014671601)**

**Laradorbecker Securities Corporation (CRD #104440, The Woodlands, Texas)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$8,000, required to pay \$12,855.03, plus interest, in restitution to investors, and required to revise its written supervisory procedures regarding fair pricing of securities. 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 to customers, and failed to buy or sell the bonds at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to each bond at the time of the transaction, the expense involved and that the firm was entitled to a profit. The findings stated that the firm failed to show the time of entry on brokerage order memoranda. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning the fair pricing of securities contained in NASD Rule 2440 and NASD Interpretative Material 2440; the firm's supervisory system effectively allowed a principal to supervise himself/herself by permitting the designated supervisor to approve his/her own transactions in fixed income securities. **(FINRA Case #2007010409101)**

**Morgan Joseph & Co., Inc. (CRD #10948, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$15,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it served as a lead syndicate manager in initial public offerings of units in special purpose acquisition companies and became a market maker in units for one company. The findings stated that the firm engaged in syndicate covering transactions for the companies after the offerings became effective. The findings also stated that the firm made the syndicate covering transactions without providing advance notice to FINRA or the self-regulatory organization with direct authority over the principal market in which the security transaction was effected, as required by Rule 104(h) of Regulation M under the Securities Exchange Act of 1934 and NASD Rule 6540(d)(1)(D)(iii). The findings also included that the firm failed to establish and maintain a supervisory system and procedures reasonably designed to ensure compliance with Rule 104(h) of Regulation M and NASD Rule 6540(d)(1)(D)(iii). FINRA found that, as a result of the inadequate supervision, the firm failed to file the required notices in advance of effecting syndicate covering transactions, and that syndicate covering transactions in one offering were initially done through its over-the-counter market making account instead of the syndicate account. **(FINRA Case #2006006239301)**

**Next Generation Equity Research LLC (CRD #130754, Chicago, Illinois)** 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 it failed to transmit all of its ROEs to OATS that it was required to transmit for approximately one year. The findings stated that the firm failed to enforce its written supervisory procedures that specified that the designated principal would access, on a daily basis, the Web Interface to ensure the accuracy and completeness of all data that the firm transmitted to OATS. **(FINRA Case #2007009931701)**

**NSM Securities, Inc., (CRD #134357, West Palm Beach, Florida)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$50,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to preserve all of its business-related electronic communications, including communications exchanged with its clearing firm for over a year. **(FINRA Case #2008011708101)**

**Okoboji Financial Services, Inc. (CRD #33727, Okoboji, Iowa)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$30,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it entered into a “selling agreement” with a company to serve as a selling agent for the company’s offering, and sold the unregistered offering pursuant to an exemption from SEC registration pursuant to Regulation D. The findings stated that the firm representatives, acting on the firm’s behalf, made efforts to sell interests, and sold interests, in the company offering to prospective investors with whom neither the representatives nor the firm had any pre-existing relationship prior to the time the customers were contacted relating to a potential investment in the offering company. The findings also stated that, in order to comply with Regulation D, the firm was required to have a substantive and pre-existing relationship with each investor prior to the time that, acting through its representatives, it offered the company’s investment to prospective investors. The findings also included that the firm used the means of interstate commerce to offer and effect these transactions, engaging in a general solicitation with respect to the offering and, therefore, participated in the sale of unregistered securities. FINRA found that the firm failed to maintain adequate written supervisory procedures relating to private offerings. **(FINRA Case #2005003504001)**

**Penson Financial Services, Inc. (CRD #25866, Dallas, Texas)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$27,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it transmitted reports to OATS that contained inaccurate, incomplete or improperly formatted data in that they contained inaccurate account type codes. The findings stated that the firm transmitted ROEs to OATS that OATS rejected for context or syntax errors, and the firm failed to repair many of the rejected ROEs. The findings also stated that the firm incorrectly reported last sale reports of transactions in OTC equity securities to the OTC Reporting Facility (OTCRF); the firm submitted last sale reports of transactions in OTC equity securities when it should have submitted non-tape clearing only reports. The findings also included that the firm reported the incorrect execution time for transactions in reportable securities to the OTCRF. **(FINRA Case #2005003329901)**

**Prebon Financial Products, Inc. (CRD #29551, Jersey City, New Jersey)** 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 failed to accurately report the execution time for corporate bond transactions to the Trade Reporting and Compliance Engine™ (TRACE™); failed to accurately report the execution time for OTC equity transactions; and failed to accurately report the execution time or price for transactions in NASDAQ National Market securities. The findings also stated that the firm failed to include all of the terms and conditions of orders, the correct execution time on order tickets for equity securities transactions, and order tickets did not indicate whether transactions were long or short. The findings also stated that the firm prepared order tickets for transactions in TRACE-eligible securities that did not include the receipt time. The findings also included that the firm failed to establish, maintain and enforce

written supervisory procedures reasonably designed to achieve compliance with transaction recordkeeping requirements and reporting requirements for transactions involving TRACE-eligible securities. (FINRA Case #2008011727701)

**Rochdale Securities LLC (CRD #6863, Stamford, Connecticut)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$15,000 and required to revise its written supervisory procedures regarding reporting to TRACE. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it reported transactions in TRACE-eligible securities to TRACE that it was not required to report. 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 TRACE reporting. (FINRA Case #2008013222601)

**Sterne Agee Financial Services, Inc. (CRD #18456, Birmingham, Alabama)** 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 permitted an individual to act in the capacity of a general securities principal without being registered with the firm in that capacity. The findings stated that the firm had no system reasonably designed to achieve compliance with applicable securities laws and regulations, including transaction reporting requirements. The findings also stated that the firm failed to accurately report riskless principal transactions to TRACE and effected customer transactions on a riskless principal basis with its clearing firm; each transaction should have been reported on TRACE reports but the trading desk at the clearing firm conducted the transactions directly between customers and the clearing firm, bypassing the firm's riskless principal account, and the clearing firm reported the trades inaccurately. The findings also included that the firm had no system in place to monitor and ensure the proper reporting by its clearing firm of transactions in TRACE-eligible securities. (FINRA Case #2008011616201)

**Sunset Financial Services, Inc. (CRD #3538, Kansas City, Missouri)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report transactions in TRACE-eligible securities that it was required to report to TRACE within 15 minutes of the execution time. (FINRA Case #2008013212801)

**UBS Securities LLC (CRD #7654, Stamford, Connecticut)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$320,000 and required to revise its written supervisory procedures regarding OATS compliance, order handling, sales transactions, soft dollar accounts and trading, the firm's use of multiple market participant identifiers (MPIDs), preventing anti-intimidations/coordination, quoting and trading rules, and books and records. 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, incomplete or improperly formatted data; it incorrectly submitted execution reports that it should not have submitted; OATS was unable to match numerous firm new order reports to a route report submitted by another firm for which the firm was named as the sent-to firm.

The findings stated that the firm transmitted route or combined order/route reports to OATS that the OATS system was unable to link to the related order routed to NASDAQ due to inaccurate, incomplete or improperly formatted data. The findings also stated that the firm 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, and the OATS system was unable to create an accurate, time-sequenced record from the receipt of the order through its resolution. The findings also included that the firm transmitted ROEs to OATS that OATS rejected for context or syntax errors, and failed to repair most of them.

FINRA found that the firm failed to report route reports for OATS reportable orders to OATS. FINRA also found that the firm transmitted numerous route or combined order/route reports to OATS that the OATS system was unable to link to the corresponding new order transmitted by the destination member firm due to inaccurate, incomplete or improperly formatted data. In addition, FINRA determined that the firm failed to enforce its written supervisory procedures relating to OATS compliance. Moreover, FINRA found that the firm failed to report the correct symbol indicating whether it executed transactions in reportable securities in a principal or agency capacity to the FINRA/NASDAQ Trade Reporting Facility (TRF). Furthermore, FINRA found that the firm transmitted reports to OATS that contained inaccurate, incomplete or improperly formatted data; the firm failed to submit an execution report to OATS; reported incorrect capacity indicators; improperly submitted new order reports; and failed to submit a route report to OATS. FINRA found that the firm made a report available on the covered orders in national market system securities that it received for execution from any person that included incorrect order execution information. FINRA also found that the firm failed to show the correct capacity on brokerage order memoranda; failed to produce a customer sales activity blotter, a proprietary sales activity blotter and order tickets and memoranda adequate for FINRA to complete its review of the firm's compliance with SEC Rule 605. In addition, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning order handling, sales transactions, soft dollar accounts and trading, the firm's use of MPIDs, preventing anti-intimidations/coordination, quoting and trading rules and books and records. **(FINRA Case #2006005072201)**

**UNX, Inc. (CRD #46145, Burbank, California)** 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 it transmitted ROEs to OATS that OATS rejected for context or syntax errors, and the firm failed to repair many of the rejected ROEs. **(FINRA Case #2006005647101)**

**Whitaker Securities LLC (CRD #121465, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report information regarding transactions effected in municipal securities to RTRS within 15 minutes of time of trade. **(FINRA Case #2008014973901)**



## Individuals Barred or Suspended

**Terrence Thomas Alexander (CRD #3273969, Registered Representative, Chicago, Illinois)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Alexander borrowed \$29,000 from a firm customer contrary to his member firm's compliance manual, which prohibited registered representatives from borrowing from customers other than relatives; the customer and Alexander were not related. The findings stated that Alexander failed to repay the loan. The findings also stated that Alexander failed to respond to FINRA requests for documents. **(FINRA Case #2007011261701)**

**Lena Michelle Altman (CRD #5547881, Registered Representative, Port Wentworth, Georgia)** 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, Altman consented to the described sanction and to the entry of findings that she was aware that a relative misappropriated in excess of \$130,000 by depositing checks into her bank account at Altman's employer, but Altman did not report it to anyone until she contacted her regional manager at a later date. **(FINRA Case #2008015076001)**

**Edward Dee Basham (CRD #3218720, Registered Representative, Houston, Texas)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Basham failed to respond to FINRA requests for him to appear for testimony. The findings stated that Basham engaged in a private securities transaction outside the scope of his regular employment with his member firm without prior notification to the firm. **(FINRA Case #2007011057501)**

**James Kelly Breeze (CRD #2591120, Registered Representative, Medford, Oregon)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 60 days. Without admitting or denying the findings, Breeze consented to the described sanctions and to the entry of findings that he purchased a building from a customer for \$850,000, with the customer agreeing to finance the entire purchase. The findings stated that Breeze had a personal relationship with the customer outside of the broker/customer relationship. The findings also stated that Breeze's member firm's written procedures allowed its registered representatives to borrow from customers, but prior written approval was required, and Breeze failed to obtain his firm's written approval before entering into the borrowing arrangement with the customer.

The suspension is in effect from July 20, 2009, through September 17, 2009. **(FINRA Case #2008012846501)**

**Marc Steven Broder (CRD #2151364, Registered Principal, Coral Springs, 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, Broder consented to the described sanction and to the entry of findings that he failed to respond to FINRA requests for documents and information, and failed to appear for investigative testimony. **(FINRA Case #2009017208501)**

**Steve A. Brubaker (CRD #1826803, Registered Representative, Elizabethtown, 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, Brubaker consented to the described sanction and to the entry of findings that he recommended that his customers invest in bearer bonds, falsely representing that the bond issuer was a non-profit entity that helped needy people and had been in existence for 15 years, when in fact, no such securities investment existed. The findings stated that Brubaker provided his customers with fake certificates for the bonds, and used the \$180,000 he obtained from the customers for his personal benefit. The findings also stated that Brubaker misappropriated \$49,000 of insurance proceeds that a customer entrusted to him after misrepresenting to the customer that the proceeds were invested in the bonds, when he had used the funds for his own benefit. **(FINRA Case #2008014572501)**

**Jan Lynn Brueggemann (CRD #2714692, Registered Representative, Irvine, California)** was fined \$25,000, suspended from association with any FINRA member in any capacity for one year and barred from association with any FINRA member in any capacity. The fine is due and payable if and when Brueggemann re-enters the securities industry. The sanctions were based on findings that Brueggemann participated in private securities transactions without prior written notice to, and prior written approval from, his member firm. The findings stated that Brueggemann failed to provide his member firm with written notice of outside business activities and failed to respond to FINRA requests for information.

The suspension is in effect from July 6, 2009, through July 5, 2010. **(FINRA Case #2007008976201)**

**Brian Raymond Callahan (CRD #2053532, Registered Principal, St. Paul, Minnesota)** 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, Callahan consented to the described sanction and to the entry of findings that he electronically affixed two customer names to three solicitor disclosure statements without their specific authority, and created an email that was purportedly received from the customer, which he forwarded along with the false disclosure statements to his member firm for processing. The findings stated that, by creating a false disclosure statement, Callahan caused his member firm to violate the requirements of the Investment Advisors Act of 1940 and, by creating the purported email, Callahan caused his firm's records to be inaccurate and thereby prevented it from meeting its obligation to preserve, for a period of not less than six years, the first two years in an accessible place, all records required pursuant to SEC Rule 17a-4(b)(4). The findings also stated that Callahan engaged in outside business activities and private securities transactions without written notice to, or approval from, his member firm. The findings also included that Callahan failed to respond to FINRA requests for documents and information. **(FINRA Case #2007007795401)**

**Eun Hee Choi (CRD #4464366, Registered Representative, Flushing, New York)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Choi converted \$440.00 of a customer's life insurance premium for her personal use. **(FINRA Case #2008012158801)**



**Raymond Edward Clay Sr. (CRD #2491012, Registered Principal, Shawnee Mission, Kansas)** 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, Clay consented to the described sanction and to the entry of findings that he engaged in private securities transactions without written notice to, and approval or acknowledgement from, his member firm. The findings stated that Clay failed to respond fully to FINRA requests for information and failed to appear for an on-the-record interview. **(FINRA Case #2008013939501)**

**Brenda Denise Craig (CRD #1219854, Registered Representative, Arlington, Tennessee)** 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, Craig consented to the described sanctions and to the entry of findings that she drafted a document authorizing the transfer of an individual retirement account (IRA) plan to Craig's current member firm, signed an administrator's name to the document and signed customer names to request to change dealer forms for individual plan participants, without the customers' permission. The findings stated that, contrary to her member firm's procedures, Craig failed to submit the forms for principal approval. The findings also stated that Craig admitted to her firm that she had signed one individual's name to a form but failed to disclose that she had signed other customers' names to related forms. **(FINRA Case #2008013164501)**

**Akim Frederic Czmus (CRD #5266395, Registered Representative, Philadelphia, Pennsylvania)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Czmus failed to appear for FINRA on-the-record interviews and willfully failed to disclose material information on his Uniform Application for Securities Industry Registration or Transfer (Form U4). **(FINRA Case #2007010438801)**

**Jason Jude Daeger (CRD #4999504, Registered Representative, Sellersburg, 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 10 business days. Without admitting or denying the findings, Daeger consented to the described sanctions and to the entry of findings that he attempted to settle a customer complaint by making a \$1,500 deposit into the customer's bank checking account without his member firm's knowledge or consent.

The suspension was in effect from July 6, 2009, through July 17, 2009. **(FINRA Case #2008014243001)**

**Joseph Donald Davis III (CRD #1999363, Registered Supervisor, Nebo, North Carolina)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Davis consented to the described sanctions and to the entry of findings that he reimbursed a customer for sales commissions without notifying his member firm. The findings stated that Davis provided inaccurate information to firm compliance employees who questioned him about the reimbursement.

The suspension was in effect from June 15, 2009, through June 26, 2009. **(FINRA Case #2006007023201)**

**Andres Luis Delmas (CRD #1452942, Registered Principal, Miami, Florida)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$15,000 and suspended from association with any FINRA member in any capacity for 60 days. The fine must be paid either immediately upon Delmas' 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, Delmas consented to the described sanctions and to the entry of findings that he made unsuitable recommendations to customers to buy inverse floater Collateralized Mortgage Obligation (CMO) securities. The findings stated that Delmas did not have reasonable grounds to believe that the CMOs were suitable for the customers in light of their investment experience, objectives and risk tolerances. The findings also stated that Delmas' customers lost more than \$163,000 as a result of these unsuitable inverse floater CMO investments.

The suspension is in effect from July 6, 2009, through September 3, 2009. **(FINRA Case #2007010582701)**

**Jason Lee Dillon (CRD #2778481, Registered Representative, Pinellas Park, Florida)** submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any capacity for 60 days and required to evidence repayment of a loan from a customer prior to 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. In light of Dillon's financial status, no fine was imposed. Without admitting or denying the findings, Dillon consented to the described sanctions and to the entry of findings that he accepted a \$19,000 loan from a customer without his member firm's knowledge or consent, and in contravention of the firm's written supervisory procedures prohibiting associated persons borrowing from, or loaning money to, any of the firm's customers.

The suspension is in effect from July 20, 2009, through September 17, 2009. **(FINRA Case #2008012150001)**

**James Christopher Dinwoodie (CRD #5048231, Registered Representative, Austin, Texas)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Dinwoodie consented to the described sanction and to the entry of findings that, while associated with a member firm in Texas, he sold Financial Advisory Service Agreements to customers located in Arkansas prior to his registration status in Arkansas being updated in his member firm's system. The findings stated that Dinwoodie altered the Agreements to falsely reflect that the customers signed the agreements while located in Texas. The findings also stated that Dinwoodie falsified other customers' signatures on a Financial Advisory Service Agreement. The findings also included that Dinwoodie failed to respond to FINRA requests for an on-the-record sworn statement. **(FINRA Case #2008014001701)**

**Steven Laurence Dorsey (CRD #2080871, Registered Principal, South San Francisco, California)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$25,000, suspended from association with any FINRA member in any principal capacity for one year and required to requalify by exam before acting in any principal capacity. The fine must be paid either immediately upon Dorsey'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, Dorsey consented to the described sanctions and to the entry of findings that, as his member firm's national sales director, he was responsible for reviewing daily trade blotters and information received from the firm's compliance department. The findings stated that, despite being made aware of "red flags" indicating that unsuitable and excessive trading was occurring in customers' accounts, Dorsey failed to take reasonable supervisory steps to respond to these "red flags" to prevent the unsuitable and excessive trading. The findings also stated that Dorsey continued to maintain his FINRA securities registrations through his member firm for more than two years, although he did not actively engage in the firm's securities business.

The suspension is in effect from July 6, 2009, through July 5, 2010. **(FINRA Case #2005000346104)**

**Gregory J. Duffy (CRD #5145614, Registered Representative, Brewster, New York)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Duffy failed to appear for a FINRA on-the-record interview. **(FINRA Case #2007007358601)**

**James Stephen Eckes (CRD #4158141, Registered Principal, Parrish, Florida)** was barred from association with any FINRA member in any capacity and ordered to pay \$1,611, plus interest, in restitution to a customer. The sanctions were based on findings that Eckes effected unauthorized transactions in a customer's account, and communicated with a customer using his personal email account without obtaining permission from his member firm to use the outside account. The findings stated that Eckes failed to respond to FINRA requests for information. **(FINRA Case #2007008401901)**

**Patrick Michael Edenfield (CRD #5490748, Associated Person, Vancouver, Washington)** was fined \$10,000 and suspended from association with any FINRA member in any capacity for two years. The fine is payable when Edenfield seeks to return to the securities industry. The sanctions were based on findings that Edenfield failed to respond adequately and in a timely manner to FINRA's requests for information, and failed to disclose material facts on his Form U4.

The suspension is in effect from June 15, 2009, through June 14, 2011. **(FINRA Case #2008012917801)**

**Francis Michael Evans (CRD #4479794, Registered Representative, LaGrange, Illinois)** was fined \$5,000 and suspended from association with any FINRA member in any capacity for six months. The sanctions were based on findings that Evans forged customer signatures on annuity policy applications and amendments to the applications without the customers' knowledge or consent.

The suspension is in effect from June 15, 2009, through December 14, 2009. **(FINRA Case #2007008128901)**

**Eric Evan Everson (CRD #1492773, Registered Representative, Gravois Mills, Missouri)** 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 10 business days and ordered to pay partial restitution in the amount of \$4,304.50, plus interest, to a customer. Without admitting or denying the findings, Everson consented to the described sanctions and to the entry of findings that he recommended a variable annuity to a firm customer and recommended the customer put all of the funds into a growth portfolio. The findings stated that Everson's recommendations were unsuitable in light of the customer's age, investment experience, financial needs and that she could not be exposed to market losses, given her limited financial means.

The suspension was in effect from July 20, 2009, through July 31, 2009. **(FINRA Case #2007011885001)**

**Karen Lee Fairbend (CRD #5214717, Registered Principal, Antioch, Tennessee)** 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, Fairbend consented to the described sanction and to the entry of findings that she converted, for her own use and benefit, \$100 in prepaid cell phone rebate cards that belonged to another registered representative. **(FINRA Case #2008016096201)**

**Sam Aubrey Foreman Jr. (CRD #833002, Registered Representative, Pensacola, Florida)** was fined \$10,000 and suspended from association with any FINRA member in any capacity for 30 business days. The sanctions were based on findings that Foreman settled a customer complaint away from his member firm without the firm's knowledge or involvement in the settlement, and Foreman also guaranteed the customer against loss.

The suspension was in effect from July 6, 2009, through August 14, 2009. **(FINRA Case #2007009445401)**

**Gail Sylvenia Frick (CRD #3113320, Registered Representative, Port Angeles, Washington)** submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$25,000 and suspended from association with any FINRA member in any capacity for 15 months. The fine must be paid either immediately upon Frick'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, Frick consented to the described sanctions and to the entry of findings that she engaged in outside business activities and private securities transactions without prior written notice to her member firm. The findings stated that Frick was provided a money order by a customer in order to open an account at her member firm on behalf of the customer's children, misplaced the money order and, in an attempt to settle the customer's potential complaint in this matter, deposited \$1,100 of her own personal funds into an account at her firm for the benefit of the customer's children without notifying the customer or the firm. The findings also

stated that Frick used the funds she had previously deposited into the account to purchase mutual funds for the account without the customer's knowledge, authorization or consent.

The suspension is in effect from July 6, 2009, through October 5, 2010. **(FINRA Case #2008013428001)**

**Hector J. Gallardo (CRD #4617763, Registered Representative, Long Island City, New York)** was barred from association with any FINRA member in any capacity and ordered to pay \$984,774, plus interest, in restitution to customers. The sanctions were based on findings that Gallardo engaged in outside business activities without notifying his member firm. The findings stated that Gallardo signed a statement indicating that he had read and agreed to his member firm's written supervisory procedures that prohibited registered representatives from engaging in any transaction not sponsored or authorized by the firm. The findings also stated that Gallardo provided fictitious monthly account statements to clients purporting to be monthly account statements from his unregistered investment company, and failed to respond to FINRA requests for information. **(FINRA Case #2007010869001)**

**James Carlton Gardner II (CRD #5468556, Associated Person, Fishers, Indiana)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Gardner willfully failed to disclose material facts on his Form U4 and failed to respond to FINRA requests for information. **(FINRA Case #2008012392101)**

**John Vincent Gordy (CRD #5099838, Registered Representative, Santa Monica, 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 12 months. The fine must be paid either immediately upon Gordy'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, Gordy consented to the described sanctions and to the entry of findings that he failed to timely respond to FINRA requests for information. The findings stated that Gordy signed a potential customer's name to his firm's financial plan application and to a \$500 money order that he purchased payable to his firm, without the potential customer's authorization or consent.

The suspension is in effect from June 15, 2009, through June 14, 2010. **(FINRA Case #2007009116002)**

**Stephanie Murch Haggerty (CRD #1214264, Registered Representative, Atlanta, Georgia)** 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 30 days. The fine must be paid either immediately upon Haggerty'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, Haggerty consented to the described sanctions and to the entry of findings that she did not have the required Series 86 or 87 licenses required for research analysts when she was the principal author of or contributor to the Stock Pick sections of her member firm's newsletter. The findings stated that Haggerty failed to disclose her ownership of securities that she profiled as Stock Picks

because she did not treat the section as a research report. The findings also stated that Haggerty purchased a security for her own account within 30 days prior to the security being featured as a Stock Pick, and before her firm's legal or compliance officers pre-approved the Stock Pick section of the newsletter. The findings also included that Haggerty failed to disclose valuation methods used to determine the price target in any Stock Pick section and the risks to achieving the price targets in her stock picks. FINRA found that Haggerty failed to certify that the views in the sections of the firm's newsletter that she authored or contributed to were her own.

The suspension is in effect from July 20, 2009, through August 18, 2009. **(FINRA Case #2007011496202)**

**Herbert Tyrone Hunt (CRD #1632226, Registered Supervisor, Lyndhurst, Ohio)** submitted an Offer of Settlement in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 18 months. Without admitting or denying the allegations, Hunt consented to the described sanctions and to the entry of findings that he borrowed approximately \$5,500 from a firm customer contrary to his member firm's procedures generally forbidding registered representatives from borrowing money from, or lending money to, customers. The findings stated that loans to or from customers other than immediate family members or financial institutions required prior review and approval by the firm's compliance department, but Hunt failed to obtain prior approval of the loan. The findings also stated that Hunt failed to fully and timely respond to FINRA requests for information and documents.

The suspension is in effect from July 6, 2009, through January 5, 2011. **(FINRA Case #2007011831101)**

**Donna Rae Jordan (CRD #704575, Registered Representative, Trumbull, Connecticut)** submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$5,000 and suspended from association with any FINRA member in any capacity for 30 business days. Without admitting or denying the findings, Jordan consented to the described sanctions and to the entry of findings that she caused customer telephone records at her member firm to be altered without authorization. The findings stated that, shortly before resigning from her firm to begin working at another member firm, Jordan deleted certain customer telephone numbers and made inaccurate updates to other customer telephone numbers to slow down other registered representatives at the firm who Jordan believed would be assigned to call her customers after she resigned. The findings also stated that, by changing customer telephone numbers, Jordan caused the firm's books and records to be inaccurate.

The suspension was in effect from July 6, 2009, through August 14, 2009. **(FINRA Case #2007009371801)**

**Roland Karl Kaeser (CRD #1354586, Registered Principal, Barrington Hills, Illinois)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$15,000 and suspended from association with any FINRA member in any capacity for one year. The fine must be paid either immediately upon Kaeser'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, Kaeser consented to the described sanctions and to the entry of findings that he engaged in an outside business activity and failed to give prompt written notice to his member firm. The findings stated that Kaeser participated in private securities transactions without first providing written notice to his firm.

The suspension is in effect from July 6, 2009, through July 5, 2010. **(FINRA Case #2007009154601)**

**Shawn Steven Keller (CRD #2973355, Registered Representative, St. Paul, Minnesota)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Keller stole computer monitors and a telephone worth \$4,400 from his member firm and pawned them for cash. The findings stated that Keller failed to respond to FINRA requests for information. **(FINRA Case #2008015227201)**

**Ryan Muneo Kimura (CRD #2974352, Registered Representative, Honolulu, Hawaii)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Kimura consented to the described sanction and to the entry of findings that he misappropriated \$1.29 million from relatives' accounts that he managed. The findings stated that Kimura intercepted checkbooks linked to the accounts, forged checks to himself and his creditors, and concealed his activity by fabricating account statements and diverting the actual statements to a mailbox he maintained. The findings also stated that Kimura failed to respond to FINRA requests for information. **(FINRA Case #2007010889401)**

**Darrel Gideon Kluge (CRD #2192442, Registered Representative, Lakeville, Minnesota)** 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 Kluge'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, Kluge consented to the described sanctions and to the entry of findings that he engaged in an outside business activity, for compensation, without prompt written notice to his member firm. The findings stated that Kluge participated in private securities transactions, for no compensation, and failed to provide his member firm with written notice of the transactions and did not receive the firm's approval to participate in the transactions.

The suspension is in effect from June 15, 2009, through December 14, 2009. **(FINRA Case #2008012186401)**

**Jamie Patrick Lake (CRD #4773616, Registered Representative, Scranton, 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, Lake consented to the described sanction and to the entry of findings that he solicited customers to invest a total of \$729,500 in different investment schemes through his weekly radio talk-show and daily radio advertising spots. The findings stated that Lake converted \$671,321 he solicited for his personal use and returned \$58,179 to customers. **(FINRA Case #2009017481401)**

**David Owen Lindner (CRD #1305774, Registered Principal, Bellmore, New York)** was suspended from association with any FINRA member in any capacity for one year, ordered to jointly and severally pay \$26,163, plus interest, in restitution to a customer and required to requalify before acting in any capacity requiring registration. The National Adjudicatory Council (NAC) imposed the sanctions following an appeal of an Office of Hearing Officers (OHO) decision. The sanctions were based on findings that a member firm, through Lindner, failed to comply with best execution requirements for a customer order in connection with the sale of a security.

The suspension is in effect from July 20, 2009, through July 19, 2010. **(FINRA Case #EAF0400300001)**

**Reginald Perez Mason (CRD #4184837, Registered Principal, Long Beach, California)** was suspended from association with any FINRA member in any capacity for two years for failure to provide requested information, and was fined \$5,000 and suspended from association with any FINRA member in any capacity for 30 days for outside business activities. The sanctions shall run consecutively. The fine is due and payable if and when Mason applies to associate with a member firm following the suspensions. The sanctions were based on findings that Mason failed to fully respond to FINRA requests for information and documents, and failed to provide his member firm with prompt written notice of an outside business activity.

The suspension is in effect from June 1, 2009, through June 30, 2011. **(FINRA Case #2007010111301)**

**Louis Gerald Mohlman Jr. (CRD #1200102, Registered Representative, Leo, Indiana)** 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 three months. The fine must be paid either immediately upon Mohlman'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, Mohlman consented to the described sanctions and to the entry of findings that he offered to pay another member firm's employee to obtain account fee and performance information with respect to his former customer accounts. The findings stated that Mohlman intended to use the information to convince former customers to switch accounts to his new member firm. The findings also stated that the firm employee did not provide Mohlman with the requested information.

The suspension is in effect from July 6, 2009, through October 5, 2009. **(FINRA Case #2008015068801)**

**Frank Casillas Molina (CRD #2378415, Registered Representative, Tucson, Arizona)** 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, Molina consented to the described sanction and to the entry of findings that he failed to appear for a FINRA on-the-record interview, and failed to provide information or requested documents. **(FINRA Case #2008012081301)**

**Jorge Gerardo Pereira (CRD #1795730, Registered Representative, Miami, Florida)** 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 Pereira'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, Pereira consented to the described sanctions and to the entry of findings that, without customers' authorization, he falsified their signatures and affixed them onto delivery assurance forms for financial plans, a change of beneficiary form, a mutual fund disclosure form and a bank draft authorization form.

The suspension is in effect from July 6, 2009, through July 5, 2010. (FINRA Case #2008012253501)

**Kevin Mark Pilipczak (CRD #4738344, Registered Representative, Auburn, New York)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$12,500 and suspended from association with any FINRA member in any capacity for one year. The fine must be paid either immediately upon Pilipczak'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, Pilipczak consented to the described sanctions and to the entry of findings that he evaded his member firm's supervisory system by concealing the sale of a customer's variable annuity by forwarding the documentation directly to the insurance carrier and not notifying his firm of the sale. The findings stated that, by concealing the transaction, Pilipczak caused his member firm's records to be inaccurate and incomplete with respect to the transaction. The findings also stated that Pilipczak provided a written statement to his firm in connection with the purchase of a new variable annuity transaction by the customer, falsely claiming that it was not funded by the sale proceeds from the earlier variable annuity.

The suspension is in effect from July 6, 2009, through July 5, 2010. (FINRA Case #2008012873901)

**Jason Thomas Pirnie (CRD #4432797, Registered Representative, Westfield, Massachusetts)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Pirnie failed to respond to FINRA requests for information. The findings stated that Pirnie conducted securities business with his member firm's customers through an unregistered individual. (FINRA Case #2007008830602)

**Germaine Pauline Pringle (CRD #4072717, Registered Representative, Upper Marlboro, Maryland)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Pringle issued checks on customer bank accounts without the account holders' authorization or consent. The findings stated that Pringle later forged the account holders' signatures on checks totaling \$29,800 made payable to third parties, which were subsequently deposited into the third parties' accounts. (FINRA Case #2007010233201)

**Charles Edward Roden (CRD #402187, Registered Principal, Armonk, 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 10 business days. Without admitting or denying the findings, Roden consented to the described sanctions and to the entry of findings that he exercised discretion in a customer's account without the customer's prior written authorization. The findings stated that Roden's member firm prohibited discretionary trading within customer accounts.

The suspension was in effect from July 20, 2009, through July 31, 2009. **(FINRA Case #2008015337801)**

**Robert Ahmad Samei (CRD #4952673, Registered Representative, Dallas, Texas)** was

barred from association with any FINRA member in any capacity. The sanction was based on findings that Samei failed to respond to FINRA requests for information. The findings stated that Samei willfully failed to disclose material information on his Form U4. **(FINRA Case #2007010925001)**

**John Kenneth Scheidler (CRD #1045110, Registered Representative, Apple Valley, Minnesota)**

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 three months. Without admitting or denying the findings, Scheidler consented to the described sanctions and to the entry of findings that he submitted false financial plans to his member firm to hold onto his title of "financial planner." The findings stated that Scheidler had firm representatives assist him in submitting a plan ostensibly for each of them, for which they each agreed to pay \$300, to be repaid by Scheidler. The findings also stated that Scheidler completed the plan paperwork for each representative, submitted the completed plans and received a total of \$400 from his firm for submitting the plans.

The suspension is in effect from July 20, 2009, through October 19, 2009. **(FINRA Case #2007011364701)**

**James John Schweitzer (CRD #1103204, Registered Principal, Norfolk, Massachusetts)**

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 12 months. The fine must be paid either immediately upon Schweitzer'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, Schweitzer consented to the described sanctions and to the entry of findings that he signed customers' names on annuity transaction forms without the customers' authorization or consent.

The suspension is in effect from July 6, 2009, through July 5, 2010. **(FINRA Case #2007011368701)**

**Kathleen Ann Shave (CRD #1767646, Registered Principal, San Diego California)** was

barred from association with any FINRA member in any capacity. The sanction was based on findings that Shave failed to update her Form U4 to disclose material facts and failed to respond to FINRA requests for information. **(FINRA Case #2008014423801)**

**James Patrick Sheehan (CRD #2336866, Registered Representative, Avon Lake, Ohio)** 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, Sheehan consented to the described sanction and to the entry of findings that he made unsuitable recommendations to customers without having reasonable grounds to believe that these recommendations were suitable based on the customers' financial situations and needs, causing the customers to incur surrender charges by switching annuities. The findings stated that Sheehan made misrepresentations or material omissions in connection with his recommendations to the customers, and provided false information to his member firm in connection with the customers' transactions. **(FINRA Case #2007011210901)**

**Jeffrey Douglas Stadelmann (CRD #1387980, Registered Representative, Menomonee Falls, 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, Stadelmann consented to the described sanction and to the entry of findings that he received \$1.5 million from members of the public to purchase privately held companies' stock but used the funds for other purposes. The findings stated that Stadelmann engaged in private securities transactions, for compensation, without his member firm's prior permission. The findings also stated that Stadelmann borrowed \$719,000 from firm customers in violation of FINRA rules. The findings also included that Stadelmann failed to respond to FINRA requests for documents and to appear for an on-the-record interview. **(FINRA Case #2008012970401)**

**Jason Erik Stephens (CRD #3053046, Registered Representative, Naples, Florida)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 10 days. Without admitting or denying the findings, Stephens consented to the described sanctions and to the entry of findings that he permitted a trainee to complete portions of the required continuing education online courses for his Certified Financial Planner (CFP) designation on his behalf.

The suspension was in effect from July 20, 2009, through July 29, 2009. **(FINRA Case #2007011106201)**

**James Richard Thomas (CRD #1676876, Registered Principal, Las Vegas, Nevada)** 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, Thomas consented to the described sanction and to the entry of findings that he participated in private securities transactions and received compensation, but failed to provide prior written notification to, and receive prior written permission from, the firm to participate in the private securities transactions. The findings stated that Thomas failed to disclose these private securities transactions when he completed the firm's annual compliance check list. The findings also stated that Thomas provided an incomplete response to a FINRA request for information, and failed to respond to subsequent requests for information and documents. **(FINRA Case #2008014538301)**

**Wilson Nduri Tindi (CRD #5248620, Registered Representative, Maple Grove, Minnesota)** 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 20 business days. The fine must be paid either immediately upon Tindi'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, Tindi consented to the described sanctions and to the entry of findings that he executed an unauthorized \$11,168.35 mutual fund purchase in a customer's account.

The suspension was in effect from June 15, 2009, through July 13, 2009. **(FINRA Case #2008012083901)**

**Reynold Frank Vaughan III (CRD #1025788, Registered Representative, Massapequa Park, New York)** submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any capacity for four months. In light of Vaughan's financial status, no monetary sanctions were imposed. Without admitting or denying the findings, Vaughan consented to the described sanction and to the entry of findings that he engaged in unsuitable trading in customers' accounts by engaging in speculative securities transactions without having reasonable grounds for believing that the recommendations were suitable in light of the customers' investment objectives, financial situation and needs.

The suspension is in effect from July 20, 2009, through November 19, 2009. **(FINRA Case #2007009232301)**

**Kimberlee Theresa Walker (CRD #2781015, Registered Representative, Naches, Washington)** submitted an Offer of Settlement in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Walker consented to the described sanction and to the entry of findings that she misappropriated \$34,000 from a customer's account without the customer's authorization by forging the customer's name on a Letter of Authorization to Transfer Assets (LOA) and transferring funds in the account to her bank account for her personal use. The findings stated that Walker made fraudulent entries in her firm's books and records to conceal her conduct. The findings also stated that Walker failed to respond to FINRA requests for documents and information, and failed to appear for an on-the-record interview. **(FINRA Case #2007009469501)**

**Stephen Wayne Walker (CRD #725588, Registered Principal, Rock Island, 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, Walker consented to the described sanctions and to the entry of findings that he engaged in private securities transactions without prior written notice to his member firm. **(FINRA Case #2007009916101)**

**Tyler Anders Waltsak (CRD #2964921, Registered Representative, Wall Township, New Jersey)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Waltsak failed to respond to a FINRA request for documents and information. The findings stated that Waltsak engaged in outside business activities without providing written notice to his member firm. **(FINRA Case #2007009411901)**



**David Edward Weiner (CRD #1763447, Registered Principal, Tenafly, New Jersey)** submitted an Offer of Settlement in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for two years. The fine must be paid either immediately upon Weiner'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, Weiner consented to the described sanctions and to the entry of findings that he failed to appear for a FINRA on-the-record interview.

The suspension is in effect from July 6, 2009, through July 5, 2011. **(FINRA Case #2008014201601)**

**David Travis Weitz (CRD #4429494, Registered Representative, Atlanta, Georgia)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for 30 days. Without admitting or denying the findings, Weitz consented to the described sanctions and to the entry of findings that he provided a draft of a research report that contained a research summary, rating and price target to the company whose stock was featured as a stock pick, and did not provide a complete draft of the research report to his firm's legal or compliance personnel prior to sending the report to the company. The findings stated that Weitz failed to disclose his ownership of securities that he profiled in research reports. The findings also stated that Weitz purchased securities within 30 days prior to the security being featured as a stock pick and before his firm's legal or compliance officers pre-approved the Stock Pick section of the research report. The findings also included that Weitz failed to disclose valuation methods used to determine the price target and the risks to achieving price targets, and failed to certify that the views in sections of research reports that he authored or contributed to were his own.

The suspension is in effect from July 20, 2009, through August 18, 2009. **(FINRA Case #2007011496201)**

**Hugh Anthony Wilson (CRD #1460372, Registered Representative, Morrisville, North Carolina)** 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, Wilson consented to the described sanction and to the entry of findings that he fraudulently misrepresented to customers and another investor that he had an options trading account or other unspecified investment and would double their funds in four to six weeks. The findings stated that Wilson received \$73,500 from investors, failed to apply the funds as directed and failed to return the funds with the promised returns, thereby misusing customer and investor funds. The findings also stated that Wilson, directly or indirectly, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, or of the mails, employed devices schemes or artifices to defraud; made untrue statement of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in acts, practices or courses of business which operated or would operate as a fraud or deceit upon purchasers or prospective purchasers. The findings also included that Wilson misused the funds of an investor who was not a firm customer by holding the funds

for 10 months before returning them in spite of his representation that the investment would be for 30 days. FINRA found that Wilson failed to respond to FINRA requests for information. **(FINRA Case #2007010192301)**

## Decisions Issued

The Office of Hearing Officers (OHO) issued the following decisions, which have been appealed to or called for review by the NAC as of June 30, 2009. The NAC may increase, decrease, modify or reverse the findings and sanctions imposed in the decision. Initial decisions where the time for appeal has not yet expired will be reported in future FINRA Notices.

**Jerry William Burch (CRD #1450138, Registered Principal, Newport Coast, California)** was fined \$28,000 and barred from association with any FINRA member in any capacity. The sanctions were based on findings that Burch made recommendations to customers to purchase a stock without disclosing that a relative's account was simultaneously selling the same stock and failed to notify his member firm of the relative's outside account. The findings stated that Burch made false representations to his firm that customer purchases were unsolicited, resulting in false firm records. The findings also stated that Burch failed to amend his Form U4 with material information.

This decision has been appealed to the NAC. The sanctions are not in effect pending consideration of the appeal. **(FINRA Case #2005000324301)**

**Harry Friedman (CRD #2548017, Registered Principal, Woodmere, New York) and Joseph Schnaier (CRD #2656314, Registered Representative, New York, New York)** were each fined \$77,500; Friedman was suspended from association with any FINRA member in any capacity for 45 days and Schnaier was suspended from association with any FINRA member in any capacity for 90 days. The fines are due and payable at such time as Friedman and Schnaier seek to return to the securities industry. The sanctions were based on findings that Friedman and Schnaier participated in private securities transactions without prior written notice to, or prior written approval from, their member firm.

This decision has been appealed to the NAC. The sanctions are not in effect pending consideration of the appeal. **(FINRA Case #2005000835801)**

**FCS Securities (CRD #40177, New York, New York)** was fined \$5,000, jointly and severally, and suspended from FINRA membership for four months; the suspension converts to an expulsion after the four months if the firm has not filed audited reports acceptable to FINRA. The sanctions were based on findings that an individual, acting on the firm's behalf, failed to finalize annual financial statements as required by SEC Rule 17a-5, from which it was not exempt. The findings stated that the individual engaged in an elaborate subterfuge in an attempt to generate qualifying activity that would make the firm exempt from that requirement.

This decision has been appealed to the NAC. The sanctions are not in effect pending consideration of the appeal. **(FINRA Case #2007010306901)**

**Midas Securities, LLC (CRD #103680, Anaheim, California), World Trade Financial Corporation (CRD #42638, San Diego, California), Jason Troy Adams (CRD #2137404, Registered Principal, San Diego, California), Frank Edward Brickell (CRD #3257725, Registered Principal, Encinitas, California), Jay S. Lee (CRD #4338187, Registered Principal, Anaheim Hills, California) and Rodney Preston Michel (CRD #1275392, Registered Principal, San Diego, California).** Midas Securities, LLC was fined \$55,000, World Trade Financial Corporation was fined \$30,000, Adams was fined \$10,000 and suspended from association with any FINRA member in any principal capacity for 30 business days, Brickell was fined \$15,000 and suspended from association with any FINRA member in any capacity for 30 business days, Lee was fined \$20,000 and suspended from association with any FINRA member in any principal capacity for two years, and Michel was fined \$15,000 and suspended from association with any FINRA member in any capacity for 45 days. The sanctions were based on findings that the firms and Brickell sold and transferred unregistered shares of a security using means or instruments of transportation or communication in interstate commerce in connection with the transactions, and failed to establish that the stock was exempt from registration pursuant to Section 5 of the Securities Exchange Act and failed to prove that they were entitled to rely on the brokers' exemption contained in Section 4(4) of the Securities Act of 1933.

The findings stated that the firms failed to establish and maintain adequate supervisory systems to achieve compliance with the requirements of Section 5 of the Securities Act and that the firms, Lee and Michel failed to establish and maintain a system and written procedures to supervise the activities of registered representatives who sold unregistered securities. The findings also stated that Adams and Michel failed to follow up on "red flags" indicating that Brickell was engaged in the illegal sales of unregistered securities, and World Trade, acting through Adams and Michel, failed to reasonably supervise Brickell. The findings also included that Lee, and Midas Securities through Lee, failed to reasonably supervise firm brokers and to implement written supervisory procedures to prevent and detect violations of Section 5 of the Securities Act.

This decision has been appealed to the NAC. The sanctions are not in effect pending consideration of the appeal. **(FINRA Case #2005000075703)**

**Richard Anthony Neaton (CRD #2585328, Registered Representative, Port Charlotte, Florida)** was fined \$5,000 and suspended from association with any FINRA member in any capacity for one year. The fine is due and payable when Neaton returns to the securities industry. The sanctions were based on findings that Neaton willfully failed to amend his Form U4 with material information.

This decision has been appealed to the NAC. The sanctions are not in effect pending consideration of the appeal. **(FINRA Case #2007009082902)**

**Scott Ryan Tischler (CRD #3248953, Registered Representative, Richmond, Virginia)** was fined \$5,000 and suspended from association with any FINRA member in any capacity for one year. The sanctions were based on findings that Tischler borrowed a total of \$67,000 from a customer, contrary to his member firm's prohibition of its registered representatives borrowing money from firm customers. The findings stated that Tischler completed, signed and submitted annual firm compliance questionnaires in which he failed to disclose the loans from the customer.

This decision has been appealed to the NAC. The sanctions are not in effect pending consideration of the appeal. (FINRA Case #2007008370701)

**Westrock Advisors, Inc. (CRD #114338, New York, New York)** was censured and fined \$35,000. The sanctions were based on findings that the firm, in connection with an arbitration proceeding involving a customer, failed to produce documents as ordered by an NASD arbitration panel. The findings stated that the firm claimed that the requested documents, including order tickets and trade blotters, either did not exist or could not be obtained from third parties, when, in fact, the firm possessed the documents or was later able to obtain them.

This decision has been appealed to the NAC. The sanctions are not in effect pending consideration of the appeal. (FINRA Case #2006005696601)

## Complaints Filed

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

**Randall Charles Barker (CRD #2474154, Registered Representative, Montrose, Colorado)** was named as a respondent in a FINRA complaint alleging that he misappropriated \$16,261.18 in insurance premium payments by intercepting customers' premium payments and using the funds to pay for personal expenses. The complaint alleges that Barker failed to respond to FINRA requests for documents and information. (FINRA Case #2008013441601)

**James Jonathon Fraser Buchanan (CRD #2452897, Registered Representative, Phoenix, Arizona)** was named as a respondent in a FINRA complaint alleging that he made improper use of investors' funds by failing to invest the funds as the customers intended and provided the customers with documents that his member firm issued purporting to be confirmations of the investments. The complaint alleges that Buchanan participated in private securities transactions outside the scope of his employment with his member firms and failed to provide the required prior written notice to his firms. The complaint also alleges that Buchanan failed to provide information that FINRA requested. (FINRA Case #2008013001701)

**Michael Anthony Gist (CRD #1171837, Registered Representative, Highlands Ranch, Colorado)** was named as a respondent in a FINRA complaint alleging that he recommended the purchase of variable universal life insurance policies (VULs) to customers and, in connection with the recommendations and resulting transactions, made untrue statements of material fact and omitted material facts necessary to make the statements that Gist made, in light of the circumstances in which they are made, not misleading. The complaint alleges that Gist should have known that the information he provided the customers was inaccurate and/or incomplete, and that he was omitting to disclose material information. The complaint also alleges that Gist made unsuitable recommendations and sales of VULs to customers and, did not have a reasonable basis for believing that his recommendations were suitable in light of the customers' financial situations and needs. **(FINRA Case #2007007697001)**

**Mark Francis Harper (CRD# 4148035, Registered Representative, Stow, Ohio)** was named as a respondent in a FINRA complaint alleging that he engaged in a pattern of mutual fund switching in public customers' accounts of without having reasonable grounds for believing that the transactions were suitable for the customers in view of the nature of the recommended transactions and in light of the customers' financial situations, investment objectives, circumstances and needs. The complaint alleges that Harper placed orders to buy and sell mutual fund positions without the customers' prior written authorization and his member firm's prior written acceptance of the accounts as discretionary. The complaint also alleges that Harper failed to timely amend his Form U4 to disclose a settlement with a customer for \$23,041.02 in connection with his mutual fund switching. **(FINRA Case #2007011333401)**

**Rene Francisco Palacios (CRD #3188994, Registered Representative, Cabo Rojo, Puerto Rico)** was named as a respondent in a FINRA complaint alleging that he misused customer's funds when he transferred \$62,750 from the customer's brokerage account to a fraudulent bank account that he opened in the customer's name without the customer's authorization by forging the customer's signature on account documents and checks drawn on the fraudulent bank account that were payable to Palacios' relatives. The complaint alleges that Palacios failed to appear for a FINRA on-the-record interview. **(FINRA Case #2007011375301)**

**Justin C. Sidaway (CRD #5001842, Registered Representative, Waterford, Michigan)** was named as a respondent in a FINRA complaint alleging that he misappropriated \$11,500 from a customer's account without the customer's authorization or consent. The complaint alleges that Sidaway forged the customer's signature on a bank withdrawal form and withdrew the money for his own personal use and benefit. The complaint also alleges that Sidaway failed to respond to FINRA requests for information. **(FINRA Case #2008013305801)**

**Firm Expelled for Failure to Pay Fines and/or Costs Pursuant to FINRA Rule 8320**

**CMG Institutional Trading LLC**

Chicago, Illinois  
(June 29, 2009)

**Firm 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.)

**Docent Financial Services, Corp.**

Natick, Massachusetts  
(June 2, 2009)

**First Annapolis Securities, Inc.**

Linthicum, Maryland  
(April 14, 2009 – June 25, 2009)

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

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

**Bruce Wayne Myers**

Brier, Washington  
(June 15, 2009 – June 25, 2009)

**Individuals Revoked for Failing to Pay Fines and/or Costs Pursuant to FINRA Rule 8320**

(If the revocation has been rescinded, the date follows the revocation date.)

**Shawn Derrick Baldwin**

Chicago, Illinois  
(June 29, 2009)

**David Gibson**

Brooklyn, New York  
(June 18, 2009)

**Mark John Lishchynsky Jr.**

Roselle, Illinois  
(June 16, 2009 – June 19, 2009)

**James Francis Queeny**

Duxbury, Massachusetts  
(June 29, 2009 – July 2, 2009)

**Jerrold Robin Sexton**

Escondido, California  
(June 16, 2009)



**Individuals Barred Pursuant to  
FINRA Rule 9552(h)**

(If the bar has been vacated, the date follows the bar date.)

**Richard Wendell Babich**  
San Francisco, California  
(June 4, 2009)

**James Kirk Baldi**  
Charlottesville, Virginia  
(June 11, 2009)

**Elijah Dean Bennett**  
Tampa, Florida  
(June 8, 2009)

**Jack David Dunigan**  
Anaheim, California  
(June 19, 2009)

**Daniel A. Estrada**  
Casa Grande, Arizona  
(June 25, 2009)

**John Vincent Genna Jr.**  
Boca Raton, Florida  
(June 5, 2009)

**John Andrew Gilliam**  
St. Louis, Missouri  
(June 12, 2009)

**Jonathan Robert Schukal**  
Southport, Connecticut  
(June 22, 2009)

**Jean Y. Shick**  
Staten Island, New York  
(June 5, 2009)

**Individuals Suspended 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.)

**Scott B. Fay**  
Danbury, Connecticut  
(June 8, 2009)

**Charlene Chong Ingram**  
Chesapeake, Virginia  
(June 15, 2009)

**Jeffrey Alan Lee**  
Oak Park, California  
(June 1, 2009 – August 12, 2009)

**Brian-James O. McMichael**  
Terrytown, Louisiana  
(June 12, 2009)

**Eric Adam Sandler**  
Boca Raton, Florida  
(June 22, 2009)

**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.)

**Jon David Armstrong**  
Redwood City, California  
(June 19, 2009)

**Jason Vij Bajaj**  
New York, New York  
(June 4, 2009)

**Alex Amner Borukhov**  
Brooklyn, New York  
(June 4, 2009)

**Gregory Nicholas Elinsky**  
Westchester, Pennsylvania  
(October 16, 2008 – June 4, 2009)

**Jaime Antonio Figarola**  
Miami, Florida  
(June 16, 2009)

**Jeffrey Allan Forrest**  
San Louis Obispo, California  
(June 29, 2009)

**Martin Ray Gerek**  
Las Vegas, Nevada  
(June 29, 2009)

**Myrtle Jean Gilpin-Morgan**  
Elmont, New York  
(June 16, 2009)

**Bryant Sean Hayward**  
Parker, Colorado  
(June 29, 2009)

**Charles Joseph Helfrich Jr.**  
Newport Beach, California  
(June 29, 2009)

**William John Horbatuk Jr.**  
Bayside, New York  
(June 4, 2009)

**Andy John James**  
Scottsdale, Arizona  
(October 10, 2008 – June 11, 2009)

**Juliet Ann Kiwanuka**  
Argyle, Texas  
(June 29, 2009)

**Adolf Friedrich Kohn**  
San Diego, California  
(June 29, 2009)

**Michael Joe Parker**  
Melvindale, Michigan  
(June 29, 2009)

**Brian Jonathon Schuster**  
Syracuse, Nebraska  
(June 4, 2009)

**Scott Allan Shapiro**  
Syosset, New York  
(June 4, 2009)

**John Frederick Winnick**  
San Diego, California  
(June 29, 2009)

## **FINRA Fines Three Firms Over \$1.25 Million for Failing to Detect, Investigate and Report Suspicious Transactions in Penny Stocks**

**J.P. Turner, Park Financial, Legent Clearing Ignored Indications Customers May Have Been Engaged in Illegal Conduct**

*Two Individuals Barred from Securities Industry, One Suspended and Fined*

The Financial Industry Regulatory Authority (FINRA) has fined three broker-dealers—J.P. Turner & Co., of Atlanta, Park Financial Group, Inc., of Maitland, FL, and Legent Clearing, LLC, of Omaha—for failing to implement reasonable anti-money laundering (AML) compliance programs, including the failure to detect, investigate and report instances of potentially suspicious transactions in low-priced stocks.

J.P. Turner was fined \$525,000, Park Financial was fined \$400,000 and Legent Clearing was fined \$350,000. In addition, two individuals—Park Financial’s former CEO and AML compliance officer Gordon Charles Cantley and J.P. Turner equity trader John McFarland—were barred permanently from the securities industry. David Farber, a Park Financial equity trader, was fined \$25,000 and suspended in all capacities for 30 days. S. Cheryl Bauman, J.P. Turner’s former AML compliance officer, was fined \$30,000 and suspended from acting as a principal in a securities firm for 18 months, while Robert Meyer, a former J.P. Turner branch manager, was fined \$5,000 and suspended as a principal for one month.

“It is critical that firms promptly and fully investigate and report suspicious transactions - because law enforcement agencies and the Securities and Exchange Commission use Suspicious Activity Reports to investigate and prosecute money laundering, securities fraud and other financial crimes,” said Susan L. Merrill, FINRA Executive Vice President and Chief of Enforcement. “Each of these firms had inadequate AML procedures and each of these firms processed suspicious trades without adequately following up on red flags—such as deposits and liquidations of large quantities of penny stocks by customers or the principals of the issuing firms that had a history of securities fraud or stock manipulation.”

The Bank Secrecy Act and FINRA rules require all broker-dealers to design and implement programs to detect and report suspicious transactions at, by or through the firm. The program must be tailored to the risks of the firm’s business. For such transactions to be reportable, the firm does not need actual knowledge that the customer is in fact committing a crime or that the funds are the proceeds of a crime.

In each of the three cases announced today, the firms failed to establish and/or implement reasonable procedures to detect and report suspicious trading in low-priced securities. Certain trading in low-priced securities, or “penny stocks,” creates a risk that these securities can be used by unscrupulous issuers of the stock, stock promoters and others affiliated with the issuers for money laundering or to commit securities fraud or market manipulation. These firms failed to detect and investigate potentially suspicious transactions. Many of the transactions in these cases presented sufficient red flags that the firms should have had reason to suspect that the customers may have been engaged in unregistered distributions, market manipulation or securities fraud.

In the case against Park Financial, FINRA found that during the period from September 2004 through April 2008, the firm's clientele included several stock promoters and other individuals and entities with regulatory histories of securities-related violations such as stock fraud and manipulation. Many of these customers engaged in high-risk activities, such as depositing millions of shares of low-priced securities, generating millions of dollars in proceeds by liquidating the shares and wiring out the proceeds to offshore and domestic bank accounts. Other Park Financial customers had inflows of funds or other assets into their accounts that were well beyond their known income or financial resources. Park Financial, acting through Cantley, failed to establish and/or implement reasonable procedures to detect and report suspicious trading, failed to investigate any of the potentially suspicious transactions and failed to file Suspicious Activity Reports, as appropriate.

FINRA also found that Park Financial, acting through broker Farber, had engaged in the unregistered distribution of the securities of two issuers. In addition to imposing a fine, FINRA ordered the firm to retain an independent AML consultant to review its AML compliance program.

In a second action, FINRA found that J.P. Turner failed to detect, investigate and file Suspicious Activity Reports as appropriate for numerous potentially suspicious transactions. The suspicious activity included: multiple accounts under a single name or multiple names maintained by customers for no apparent business reason; and numerous transactions where large blocks of low-priced securities of companies with higher risk operating and financial histories were transferred into accounts, sold and the proceeds wired from the accounts. In several cases, the principals of these companies were the subjects of pending SEC actions alleging fraud and other securities law violations.

FINRA also named J.P. Turner's former equity trader, McFarland, for failing to report to his firm suspicious transactions. Former Staten Island Branch Manager Meyer was named along with Bauman for their failures to adequately monitor and enforce special supervisory arrangements for the Staten Island branch.

In the third action, FINRA found that Legent Clearing's AML program was not tailored to the firm's business risks in that it did not adequately consider the money laundering risks posed by correspondent firms for which Legent provided securities clearing services. FINRA found that Legent failed to consider, among other things, that some of the correspondent or introducing firms had lengthy disciplinary histories and were conducting high-risk business activities such as significant penny-stock liquidations.

Even more problematic, Legent processed transactions for individual customers of its correspondent firms with red flags of suspicious activity, without fully investigating the transactions or filing a Suspicious Activity Report as appropriate. For instance, Legent processed transactions involving millions of shares of stock owned by company insiders or known penny stock promoters who had no evident legitimate business purpose for engaging in those transactions. Notably, Legent provided clearing services to introducing broker-dealers that FINRA has expelled from the securities industry for their own AML violations—Salomon Grey Financial in 2006 and Franklin Ross in 2007.

In settling these matters, J.P. Turner, Park Financial, Legent Clearing, Gordon Charles Cantley, John McFarland, David Farber, S. Cheryl Bauman and Robert Meyer neither admitted nor denied the charges, but consented to the entry of FINRA's findings.

Bauman's suspension is in effect from July 6, 2009, through January 5, 2011. Meyer's suspension was in effect from July 6, 2009, through August 5, 2009. Farber's suspension was in effect from July 6, 2009, through August 4, 2009.

### **FINRA Fines Raymond James, RBC Capital Markets Corporation, Stock Loan Trader for Improper Stock Loan Practices**

#### **Firms Pay Total of \$1.4 Million for Stock Loan Improprieties, Supervisory Deficiencies, Trader Suspended and Fined**

The Financial Industry Regulatory Authority (FINRA) announced that as part of its in-depth investigation of stock loan practices in the industry, it has imposed a fine of \$1 million against Raymond James & Associates, Inc. of St. Petersburg, FL, and a fine of \$400,000 against RBC Capital Markets Corporation of New York, for various stock loan improprieties.

Raymond James was sanctioned for making unjustified and improper payments to finder firms that provided no service in locating securities or had no involvement in the stock loan transaction for which they were paid. Raymond James and RBCCMC were both fined for using a non-registered individual, who had been convicted in federal court of securities law violations and had been barred from the securities industry by the Securities and Exchange Commission (SEC), to perform stock loan functions requiring registration.

Benedict Patrick Tommasino, the head trader of RBCCMC's Stock Loan Department was suspended for 20 months from working for a securities firm in any capacity, was suspended an additional two months from acting in a principal capacity and was fined \$30,000 for his role in the misconduct.

"Finders for stock loan transactions can play an important role in the markets by assisting borrowers in locating securities, especially hard-to-borrow stocks," said Susan Merrill, FINRA Executive Vice President and Chief of Enforcement. "But Raymond James traders made unjustified payments to finders who provided no service. Moreover, both firms exposed the market to the activities of an unqualified and unsupervised individual by allowing a non-registered person who had been barred from the securities industry to perform stock loan functions."

During 2004, Raymond James, on various occasions paid finders in connection with stock loan transactions when there was no apparent justification for the finder payments.

For example, a review of stock loan transactions on four days in March and April 2004 revealed 11 transactions for which two finder firms were paid despite having performed no service, including one finder firm where a Raymond James stock loan trader's son was an employee. In addition, Raymond James's books and records inaccurately reflected that a finder had provided services in connection with certain stock loan transactions in exchange for payment when, in fact, the purported finder had not performed any function.

In 2004, Raymond James and RBCCMC each allowed Dennis Palmeri, Sr. of Shields Institutional, a non-registered finder, to perform stock loan functions requiring registration. In February 1994, Palmeri was convicted in federal court of aiding and abetting his then-employer's violation of federal securities laws. The SEC then barred Palmeri from working for any broker dealer, investment advisor or investment company. The bar did not preclude Palmeri from acting as a non-registered finder, but does preclude him from performing functions requiring registration.

FINRA further found that these activities occurred because Raymond James and RBCCMC each failed to reasonably supervise the activities of their respective Stock Loan Departments.

In concluding these settlements, neither Raymond James, RBCCMC nor Tommasino admitted nor denied the charges, but consented to the entry of FINRA's findings.

### **FINRA Fines ICAP \$2.8 Million, Fines and Suspends Former Broker for Improper Communications with Other Interdealer Brokers About Customers' Brokerage Rate Negotiations in Wholesale CDS Market**

The Financial Industry Regulatory Authority (FINRA) has fined ICAP Corporates LLC, of Jersey City, \$2.8 million and sanctioned a former broker for numerous improper communications with other interdealer brokerage firms about customers' proposed brokerage rate reductions in the wholesale credit default swap (CDS) market.

FINRA's investigation into misconduct by the other interdealer brokerage firms and individuals involved is continuing.

Jennifer Joan James, a former ICAP broker and manager of ICAP's CDS desk, was fined \$350,000 and suspended from working in the securities industry in all capacities for six months for attempting to improperly influence other interdealer brokerage firms and their employees. ICAP was fined \$1.8 million for its supervisory failures—specifically, failing to detect and prevent improper inter-firm communications—and \$1 million for engaging in conduct through its CDS desk manager that was designed to improperly influence other firms and their employees.



“We continue to pursue conduct which undermines fundamental principles and rules upon which customers and free markets rely for efficient price discovery of brokerage rates,” said Tom Gira, Executive Vice President of FINRA’s Department of Market Regulation. “FINRA’s requirements to observe high standards of commercial honor and just and equitable principles of trade are designed to prevent the types of inter-firm communications that occurred in this case, which threaten the proper interaction of market forces regarding the pricing of brokerage rates.”

CDS instruments generally enable counterparties to purchase and sell “risk protection” associated with certain credit events (such as bankruptcies, defaults or credit downgrades in underlying instruments). The risk protection purchaser generally pays a periodic fee to the seller, and the seller agrees to pay the purchaser an agreed-upon amount should one of those credit events occur. Interdealer brokerage firms provide an intermediary brokerage service to commercial and investment banks in the wholesale markets to identify and match counterparties for such CDS transactions. The firm receives brokerage fees for successfully introducing buying and selling counterparties (its brokerage customers) but is not a party to the CDS transactions themselves.

FINRA found that James engaged in repeated improper communications with personnel at other interdealer brokerage firms that improperly attempted to influence those firms and individuals. These communications generally occurred after individual customer firms sought to renegotiate their CDS brokerage fees, sending schedules of proposed rate reductions separately to a number of individual interdealer brokers. James’s communications with personnel at other interdealer brokers included reactions to customers’ proposed rate reductions, statements concerning actual or contemplated interdealer broker responses or counter-positions to the customers’ proposed rate reductions, and discussions about the interdealer brokers creating identical or similar, individual counter proposals to rate reduction requests.

FINRA also found that while James’s communications typically involved one-to-one discussions with personnel from one other CDS interdealer brokerage firm, the communications frequently referred to similar discussions about the proposed fee-reduction schedules with additional interdealer brokerage firms.

ICAP and James settled these matters without admitting or denying the allegations, but consented to the entry of FINRA’s findings

James’ suspension is in effect from July 6, 2009, through January 5, 2010.

## **FINRA Fines Merrill Lynch, UBS for Supervisory Failures in Sales of Closed-End Funds; Customers Get More Than \$5 Million in Remediation**

### **Five Merrill Brokers Suspended, Fined; Investigation of Former UBS Brokers Continues**

The Financial Industry Regulatory Authority (FINRA) has fined Merrill Lynch, Pierce, Fenner & Smith, Inc. \$150,000 and UBS Financial Services, Inc. \$100,000 for supervisory failures that led to unsuitable short-term sales of closed-end funds (CEF) purchased at the funds' initial public offerings.

FINRA also suspended five Merrill Lynch brokers each for 15 days and fined them \$10,000 for making unsuitable CEF recommendations to customers. FINRA's investigation into the activities of former UBS brokers involved in the short-term sales of CEFs continues.

"Closed-end funds possess complex features that can give rise to unsuitability for short-term investors, particularly when purchased at the initial public offering," said Susan Merrill, FINRA Executive Vice President and Chief of Enforcement. "Neither Merrill nor UBS had adequate supervisory systems and procedures to prevent brokers from engaging in unsuitable short-term sales of newly issued CEFs."

CEFs are investment companies that sell a fixed number of shares in an initial public offering (IPO), subject to built-in sales charges. After the offering, the shares trade in the secondary market, typically at a discount from the initial offering price. The CEFs at issue had sales charges of 4.5 percent, as well as a "penalty bid period" of generally 30 to 90 days immediately following the IPO.

During this period, brokers would lose their sales commission if their clients sold the CEFs purchased at the offering. One regulatory concern related to CEFs is the potential for brokers to earn high fees at their customers' expense by soliciting their customers to purchase CEFs at the IPO and then later, after the expiration of the penalty bid period, recommend that customers sell the CEFs, often at a loss, using the proceeds to purchase yet another CEF at an initial offering.

FINRA found that despite being aware that CEFs purchased at the IPO are more suitable for long-term investments—and that the sales charges applied to purchases at the IPO make short-term trading of these CEFs generally unsuitable—Merrill Lynch and UBS did not have adequate supervisory systems and procedures designed to detect and prevent unsuitable short-term trading of CEFs.

The firms also failed to provide supervisors with any guidance or warning about the potential abuses and disadvantages relating to short-term trading of CEFs purchased at the IPO. Without adequate guidance, branch managers were not on notice that there were potential problems with short-term sales of CEFs bought at the IPO.

FINRA also found that the firms failed to provide guidance or training to its registered persons regarding the impact of the sales charges on the short-term sales of CEFs purchased at the IPO. As a result, certain UBS and Merrill brokers recommended CEF purchases at the IPO and subsequent short-term sales without having a sufficient understanding of the effects that the sales charges and other pricing considerations had on the clients' investments.

The five Merrill Lynch brokers sanctioned by FINRA for recommending the unsuitable short-term sales of CEFs are:

- Kenneth C. Iwelumo of the Newark, NJ, branch, who has been registered with Merrill Lynch since 1986. Iwelumo's customers suffered losses totaling approximately \$563,000.
- Ronald Kemp of the Denver, CO, branch, who has been registered with Merrill Lynch since 1997. Kemp's customers suffered losses totaling approximately \$411,000.
- Joseph Miller of the Springfield, MA, branch, who has been registered with Merrill Lynch since 1995. Miller's customers suffered losses totaling approximately \$130,000.
- John Ong of the New York City branch, who has been registered with Merrill Lynch since 1994. Ong's customers' suffered losses totaling approximately \$350,000.
- Michael Kizman of the Schaumburg, IL, branch, who has been registered with Merrill Lynch since 1992. Kizman's customers suffered losses totaling approximately \$221,000.

In determining the appropriate sanctions against the firms, FINRA considered the firms' remediation efforts, which included payments to customers in excess of \$3 million by Merrill Lynch and more than \$2 million by UBS. Also, FINRA considered the firms' self-reviews and prompt remedial measures to correct systems and procedures to prevent future violations.

FINRA found in this matter that, after receiving an anonymous tip and before FINRA's investigation into unsuitable short-term trading of CEFs, Merrill Lynch retained outside counsel to perform an internal investigation. Following the internal investigation, Merrill Lynch sanctioned 13 brokers and implemented remedial measures designed to prevent future violations involving CEFs.

In the case of UBS, FINRA found that after receiving the results of a Securities and Exchange Commission examination of a branch office and before FINRA's investigation, UBS retained outside counsel to conduct an internal investigation into its CEF practices. As a result of the investigation, the firm sanctioned 17 brokers found to have made unsuitable CEF recommendations and implemented remedial measures designed to prevent future violations involving CEFs.

In settling these matters, Merrill Lynch, UBS and the Merrill brokers neither admitted nor denied the charges, but consented to the entry of FINRA's findings.