

# Disciplinary and Other FINRA Actions

## Firms Expelled, Individuals Sanctioned

The Dratel Group, Inc. ([CRD® #8049](#), Southold, New York) and William Marshall Dratel ([CRD #843025](#), Southold, New York). The firm was expelled from FINRA® membership. Dratel was barred from association with any FINRA member in any capacity and ordered to disgorge \$489,000 in ill-gotten gains. 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 the firm and Dratel willfully engaged in a fraudulent trading scheme and failed to disclose material information to discretionary customers at the firm. The findings stated that Dratel cherry-picked profitable day trades for his own account while steering unprofitable (or less profitable) day trades to his discretionary customers' accounts. Dratel's use of the firm account provided him with the opportunity to delay making trade allocations and the ability to allocate more profitable trades to himself as opposed to his discretionary customers. During the one-year period in question, Dratel earned profits of \$489,000 from his day and overnight trading, while his discretionary customers suffered losses of more than \$200,000 such trading. The findings also stated that the firm maintained inaccurate and misleading books and records. The firm and Dratel willfully failed to complete order tickets and, in furtherance of the cherry-picking scheme, created order tickets with inaccurate allocation times. The customer names and account numbers were not placed on the customer order tickets until several hours after the order was executed; or in cases where blank, time-stamped order tickets were mailed to the firm's office, one or two days later. The findings also included that the firm's supervisory system for day trading was inadequate and failed to address the conflict inherent with Dratel's day trading for his personal account and his simultaneous day trading for the discretionary customers' accounts. Because the firm was a one-representative firm, Dratel supervised his own day trading and the trading for his discretionary customers. The firm, through Dratel, failed to enforce its written supervisory procedures (WSPs). FINRA found that the firm, through Dratel, willfully failed to periodically update customer account records, review new account documents on a quarterly basis and memorialize the review. The firm had a deficient anti-money laundering (AML) compliance program and Dratel failed to timely verify new customers' identities. Dratel opened accounts without timely obtaining photo identification for each new customer. The firm also failed to conduct timely independent testing of its AML compliance program for two years.

The decision has been appealed to the Securities and Exchange Commission (SEC), and the expulsion and bar are in effect pending review. ([FINRA Case #2008012925001](#))

## Reported for July 2014

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).

## Firm Suspended, Individual Sanctioned

Kleinsner, Dale Edward dba FCS Securities ([CRD #40177](#), New York, New York) and Dale Edward Kleinsner ([CRD #1199490](#), New York, New York) were fined \$5,000, jointly and severally, and the firm was suspended for four months in all capacities. The United States Court of Appeals denied the petition for review of the SEC decision wherein the SEC affirmed the sanctions following an appeal of the NAC decision. The sanctions were based on findings that the firm, acting through its owner, Dale Kleinsner, failed to file audited annual reports for two years.

The suspension is in effect from June 16, 2014, through October 15, 2014. ([FINRA Case #2007010306901](#))

## Firms Fined, Individuals Sanctioned

Capital Path Securities, LLC ([CRD #104363](#), Middle Island, New York) and William John Davis ([CRD #1247007](#), Rocky Point, New York) submitted an Offer of Settlement in which the firm was censured and fined \$175,000, of which \$25,000 is joint and several with Davis. Davis is suspended from association with any FINRA member in any principal capacity for three months. Without admitting or denying the allegations, the firm and Davis consented to the sanctions and to the entry of findings that it, acting through Davis, its AML compliance officer (AMLCO) and president, demonstrated an ongoing pattern of noncompliance with AML rules. The findings stated that the firm and Davis failed to enforce its written AML program to ensure compliance with the Bank Secrecy Act. Davis failed to identify multiple transactions in customer accounts, which triggered many of the “red flags” identified in the firm’s AML procedures. Among other things, these customers maintained multiple accounts, had securities-related disciplinary histories, engaged in suspicious penny stock trades and conducted questionable third-party wire activity. The firm and Davis allowed multiple customers, some with ties to each other or to issuers of penny stocks, to liquidate blocks of stocks without properly monitoring these accounts for suspicious trading and wire activity based on the risks these customers posed. The firm and Davis failed to act upon these red flags. Contrary to its AML procedures, the firm did not use the exception reports its clearing firm offered, which included reports that could have been used to monitor wire activity, and it did not implement any of its own reports for the review of trading activity.

The findings also stated that the firm and Davis failed to establish and implement an adequate AML supervisory system reasonably designed to ensure compliance with the Bank Secrecy Act and the implementing regulations promulgated thereunder. The firm and Davis failed to monitor, detect and investigate suspicious transactions in the face of multiple red flags of potentially suspicious activity. The firm and Davis permitted these suspicious activities to occur without conducting an adequate investigation into the activities and reporting the activities, as appropriate. Davis received alerts from the clearing firm regarding individuals and entities with securities-related disciplinary histories, and he

was aware of the trading in customer accounts at the firm. In the face of these alerts and trading reviews, as well as the numerous red flags of suspicious activity, the firm and Davis did not take any effective steps to monitor such trading, or curb potentially manipulative trading.

The suspension is in effect from June 2, 2014, through September 1, 2014. ([FINRA Case #2011025869201](#))

## Firms Fined

**Aegis Capital Corp.** ([CRD #15007](#), New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$50,000 and required to comply with an undertaking. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to provide timely information to FINRA in response to separate requests for information made pursuant to FINRA Rule 8210. ([FINRA Case #2013037139601](#))

**Atlas One Financial Group, LLC** ([CRD #124057](#), Miami, Florida) 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 sanctions and to the entry of findings that it failed to report transactions in a timely manner in Trade Reporting and Compliance Engine® (TRACE®)-eligible corporate debt securities within 15 minutes of execution. The findings stated that the firm also failed to report the correct trade execution time for transactions in TRACE-eligible securities to TRACE, and failed to report transactions in TRACE-eligible securitized products in a timely manner. ([FINRA Case #2011029847301](#))

**BOM Capital, LLC dba Banc of Manhattan Capital** ([CRD #149880](#), Woodland Hills, California) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$7,500. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report transactions in TRACE-eligible securitized products to TRACE within the time required by FINRA Rule 6730(a), and failed to report the correct trade execution time for transactions in TRACE-eligible securitized products to TRACE. ([FINRA Case #2012033502101](#))

**Blackbook Capital LLC** ([CRD #123234](#), New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$50,000 and required to comply with undertakings and revise the firm's WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it charged its customers \$60.50 on separate purchase or sale transactions in addition to or in place of a designated commission charge. The findings stated that the firm characterized the charge on customer trade confirmations as "miscellaneous" and/or as an "additional fee." A substantial portion of the \$60.50 charge was not attributable to any specific cost or expense the firm incurred or performed in executing each transaction, or

determined by any formula applicable to all customers. A substantial portion of the charge represented a source of additional transaction-based remuneration or revenue to the firm, and was effectively a minimum commission charge. By designating the charge on trade confirmations as “miscellaneous” and/or as an “additional fee” in addition to or in place of a designated commission charge, the firm mischaracterized and understated the amount of the total commissions the firm charged.

The findings also stated that the firm failed to check the names of persons and entities on the Financial Crimes Enforcement Network’s (FinCEN) lists against the firm’s customer base and those with whom the firm engaged in any transaction. The firm’s AML test for calendar year 2010 was not independent and was inadequate. The firm’s bookkeeper performed the test and he was not qualified, as he did not have a working knowledge of the applicable requirements under the Bank Secrecy Act and its implementing regulations. The AML test was not independent because the bookkeeper reported directly to the firm’s AMLCO, and took instruction from the compliance officer in how to perform the AML test and which documents to review. The test was not adequate because the bookkeeper failed to actually test the adequacy of the firm’s AML compliance systems and instead relied on what the AMLCO told him. The findings also included that the firm failed to preserve hundreds of business-related emails, principally internal emails, in a non-rewriteable, non-erasable format when personnel used personal email addresses outside of the firm’s email domain to send or receive business-related emails. The firm’s compliance officer typically kept copies of those emails in folders on his personal email account platform, which could have allowed the emails to be erased or altered. ([FINRA Case #2011025700901](#))

**CP Capital Securities, Inc. (CRD #15029, Miami, Florida)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$5,000 and ordered to pay \$1,676.92, plus interest, in restitution to customers. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it bought corporate bonds from customers and failed to buy such bonds at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to each bond at the time of the transaction, the expense involved and that the firm was entitled to a profit. ([FINRA Case #2013035996801](#))

**Deutsche Bank Securities Inc. (CRD #2525, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$27,500 and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to accept or decline in the FINRA/NASDAQ Trade Reporting Facility (FNTRF) transactions in reportable securities within 20 minutes after execution. The findings stated that the firm’s supervisory system did not provide for compliance with respect to the applicable securities laws and regulations and FINRA rules with respect to the accuracy and timeliness of its equity trade reporting. ([FINRA Case #2011030143501](#))

**Essex Radez LLC** ([CRD #34649](#), Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$57,500 and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it had fail-to-deliver positions at a registered clearing agency in an equity security that resulted from bona fide market-making activity, and did not close the fail-to-deliver positions by purchasing securities of like kind and quantity within the time frame prescribed by SEC Rule 204(a)(3). The findings stated that the firm effected short sales for its own account without first borrowing the security, or entering into a bona fide arrangement to borrow the security, while it had a fail-to-deliver position at a registered clearing agency that had not been closed out in accordance with the requirements of SEC Rule 204(a). The firm executed short sale orders and failed to properly mark the orders as short. The firm incorrectly submitted codes and flags to the Order Audit Trail System (OATS™). The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or FINRA rules. The firm's WSPs failed to provide for one or more of the four minimum requirements for adequate WSPs in the subject areas of supervisory system, procedures and qualifications; sale transactions; other trading rules; OATS; algorithmic trading; and use of Multiple Market Participant Identifiers (MPIDs). ([FINRA Case #2010024359801](#))

**Euro Pacific Capital, Inc.** ([CRD #8361](#), Westport, Connecticut) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$40,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to timely report statistical and summary information to FINRA regarding customer complaints it had received, including complaints about the firm's or its registered representatives' sales practices. The findings stated that the firm failed to establish and maintain systems and establish, maintain and enforce procedures that were reasonably designed to comply with its obligations to report customer complaints. The firm's compliance department, which was required to report customer complaints to FINRA, knew some branch managers repeatedly failed to timely inform it about customer complaints. Some branch managers failed to inform the firm's compliance department about complaints that were lodged against the branch managers themselves, and the firm's chief compliance officer (CCO) received direct notice about some customer complaints, but failed to inform another employee in the compliance department who was charged with reporting those complaints to FINRA, about them. ([FINRA Case #2011025434001](#))

**FOLIOfn Investments, Inc.** ([CRD #48015](#), McLean, Virginia) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$35,000 and ordered to render language in the communications currently on an issuer's website more prominently and to display prominently a similar risk disclosure in any future retail communications that describes the features or benefits of trading platforms and/or the services the firm provides for issuers. Without admitting or denying the findings, the firm consented to the sanctions

and to the entry of findings that the firm reviewed and approved content on issuers' websites that omitted and, in some instances, failed to prominently disclose, particularly on trading platforms, risks associated with notes the issuers offered that rendered the content unfair and unbalanced, and/or without a sound basis for evaluating the facts about the securities, industry and/or services provided. The findings stated that the firm failed to ensure that the communications adequately and prominently disclosed how estimated returns were calculated. The firm allowed the notes to be described as quality notes without information sufficient to form a sound basis for evaluating the facts in regard to the notes. The communications on the issuers' website contained false, exaggerated, unwarranted and/or misleading statements. The findings also stated that a registered principal of the firm did not approve by signature or initial and date the communications prior to their use, and the firm did not maintain the communications in a separate file beginning on the date of first use. ([FINRA Case #2011030456001](#))

**GMP Securities, LLC** ([CRD #41025](#), New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$25,000 and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to immediately publish a bid or offer that reflected the price and the full size of customer limit orders for over-the-counter (OTC) equity securities the firm held that were at a price that would have improved the bid or offer of the firm in such securities. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and FINRA rules, concerning limit order display requirements. ([FINRA Case #2012032341201](#))

**Goldman Sachs Execution & Clearing, L.P.** ([CRD #3466](#), New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$32,500. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report Reportable Order Events (ROEs) to OATS. The findings stated that the firm made available a report on the covered orders in national market system securities that it received for execution from any person. This report included incorrect information as to the number of inside-the-quote limit orders the firm received in one security, and incorrect information as to the number of market orders it received in another security. ([FINRA Case #2011026125701](#))

**Great American Advisors, Inc.** ([CRD #36451](#), Cincinnati, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$100,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to have an adequate supervisory system for the sale of variable annuities. The findings stated that as a result, two of its independent contractor registered representatives recommended and effected unsuitable variable annuity transactions involving firm customers. The independent contractor registered representatives and the firm improperly earned commissions and caused customers

to pay \$363,173 in unnecessary surrender fees and incur longer surrender periods. The firm noted a high number of variable annuities replacement transactions by one of these representatives in which the customers had held the prior annuity for only two to three years. The firm began an internal review of the replacements and required the representatives to provide information about the annuity replacements, including details about the high volume of replacement transactions, records of the transactions and copies of sales materials used. The firm suspended all variable annuities replacement transactions by the two representatives during its compliance department's internal investigation.

The findings also stated the firm's written procedures generally addressed suitability considerations related to variable annuities sales. However, the firm did not have an adequate supervisory system to ensure that the procedures were properly implemented. The firm failed to ensure that the sales of the variable annuities by these representatives adhered to its written procedures. The supervisors approved variable annuities replacements based on limited firm systems and with inadequate written guidance, computer systems and surveillance tools. One of the representatives underreported surrender fees on replacement transactions, and the firm did not check or verify the correct surrender fees. The firm also did not have a system or Web-based access to a database that allowed it to adequately compare the annuity to be replaced with the other variable annuities. ([FINRA Case #2009019513903](#))

**Guggenheim Securities, LLC (CRD #40638, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$7,500. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to immediately publish a bid or offer that reflected the price and the full size of customer limit orders for OTC equity securities the firm held that were at a price that would have improved the bid or offer of the firm in such securities. ([FINRA Case #2013035988501](#))

**Indiana Securities of Indianapolis, LLC dba Indiana Securities, LLC (CRD #45115, Indianapolis, Indiana)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$7,500. A lower fine was imposed after considering, among other things, the firm's revenues and financial resources. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that in connection with three best-efforts private placement offerings, the firm failed to promptly transmit customer checks to the issuer, but held the uncashed checks payable to the issuer pending delivery to the issuer at closing of the offering. The findings stated that during the period that the firm held the uncashed customer checks, the firm did not qualify for an exemption from the \$250,000 minimum net capital requirement set forth in SEC Rule 15c3-1. Accordingly, the firm's minimum net capital was at least \$250,000. On at least two occasions, the firm conducted a securities business while failing to maintain net capital of \$250,000. The findings also stated that the firm operated pursuant to the SEC Rule 15c3-3(k)(2)(ii) exemption to the requirements of SEC Rule 15c3-3. As a result of the firm's failure

to promptly forward the customer checks to the issuer, the firm did not qualify for this exemption to the requirements of SEC Rule 15c3-3. The firm was therefore fully subject to the requirements of SEC Rule 15c3-3, but did not fully comply with those requirements. Specifically, the firm failed to perform certain reserve computations as required by SEC Rule 15c3-3. ([FINRA Case #2013035053801](#))

**Interactive Brokers LLC** ([CRD #36418](#), Greenwich, Connecticut) 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 sanctions and to the entry of findings that it transmitted reports to OATS—identified from a sample of reviewed reports—that contained inaccurate, incomplete or improperly formatted data. Specifically, the firm transmitted the reports to OATS with an inaccurate Account Type Code. The findings stated that order tickets did not reflect that each order was a Good Through Extended Hours (GTX) order. ([FINRA Case #2012034314801](#))

**INTL FCStone Securities Inc.** ([CRD #45993](#), Winter Park, Florida) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$70,000, ordered to pay \$62,297.13, plus interest, in restitution to customers, and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to contemporaneously or partially execute customer limit orders in OTC securities after it traded each subject security for its own market-making account at a price that would have satisfied each customer's limit order. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and FINRA rules, concerning customer limit order protection. ([FINRA Case #2010021400901](#))

**J.P. Morgan Securities LLC** ([CRD #79](#), 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 sanctions and to the entry of findings that it transmitted Execution or Combined Order/Execution Reports to OATS that contained inaccurate, incomplete or improperly formatted data. The findings stated that because of the inaccurate, missing or improperly formatted data, OATS was unable to link the execution reports to the related trade reports in a FINRA trade reporting system. ([FINRA Case #2011026807801](#))

**J.P. Turner & Company, L.L.C.** ([CRD #43177](#), Atlanta, Georgia) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$35,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it sold (bought) corporate bonds to (from) customers and failed to sell (buy) such bonds at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to each bond at the time of the transaction, the expense involved and that the firm was entitled to a profit. ([FINRA Case #2010023377201](#))



**Lavaflow, Inc. ([CRD #120444](#), 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 sanctions and to the entry of findings that it transmitted reports to OATS that contained inaccurate, incomplete or improperly formatted data. The findings stated that the firm incorrectly appended the DIR special handling instructions code on reports to OATS. The findings also stated that the firm produced a report to FINRA of its brokerage order memoranda that contained inaccurate information. The firm's report contained inaccurate information regarding the terms and conditions of orders and inaccurate cancellation times for orders. ([FINRA Case #2012031646501](#))

**Merrill Lynch, Pierce, Fenner & Smith Incorporated ([CRD #7691](#), New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$7,500. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report block transactions in TRACE-eligible securities to TRACE within 15 minutes of the execution time. ([FINRA Case #2013035797801](#))

**Mesirow Financial, Inc. ([CRD #2764](#), Chicago, Illinois)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$35,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish, maintain and enforce a supervisory system that was reasonably designed to adequately review and monitor all transmittals of funds from customer accounts to third-party accounts. The findings stated that, as a clearing firm, the firm had certain responsibilities in transferring customer funds as the result of wire transfer requests from its introducing firms' customers. The firm required signed letters of authorization (LOAs) from customers and reviewed these letters before transferring the funds. The firm's supervisory system did not require a thorough review of these letters to determine who controlled the accounts to which the funds were being transferred, and failed to include a means or method of customer confirmation, notification or follow up that could be documented. In connection with these deficiencies, a broker associated with an introducing firm that cleared through the firm converted \$116,696.50 from customers by forging wire transfer requests and wiring the funds to accounts that she controlled. The customers have been reimbursed for their losses. ([FINRA Case #2011029085801](#))

**Morgan Keegan & Company, LLC ([CRD #4161](#), Memphis, Tennessee)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$15,000 and ordered to pay \$1,019.09, plus interest, in restitution to customers. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to execute orders fully and promptly. The findings stated that 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 #2012034140501](#))

**National Financial Services LLC** ([CRD #13041](#), Boston, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$55,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report the correct symbol indicating the capacity in which the firm executed transactions in reportable securities to the FNTRF. The findings stated that for these transactions, the firm reported a principal capacity when it acted as agent and submitted approximately 5,000,000 trade reports to the FNTRF where the firm's capacity was identified as principal. ([FINRA Case #2010024954302](#))

**NEXT Financial Group, Inc.** ([CRD #46214](#), Houston, Texas) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$88,750. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to timely and/or accurately amend a registered representative's Uniform Application for Securities Industry Registration or Transfer (Form U4) or Uniform Termination Notice for Securities Industry Registration (Form U5) to disclose a customer complaint, judgment and/or lien. The findings stated that the firm's former general counsel was actively engaged in the supervision of its CCO and of the compliance department without being registered in a principal capacity. The findings also stated that the firm offered and sold various categories of structured products to retail customers without having in place a supervisory system, including written procedures, that was reasonably designed to detect and prevent unsuitable sales of structured products. The firm's WSPs did not provide sufficient guidance on supervision or suitability in the context of structured products. The firm did not have any system or procedure in place to detect or flag for review potential over-concentrations in structured products in customer accounts, and did not have a formal training program addressing structured products. ([FINRA Case #2012030727301](#))

**optionsXpress, Inc.** ([CRD #103849](#), Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$275,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that under the terms of a coaching services agreement, it granted a third-party service provider the right to develop, market, sell, fulfill, and manage educational coaching programs for existing and future customers of the firm. The findings stated that the firm granted the service provider a limited non-exclusive license to use the firm's trade names and trademarks solely in connection with the coaching program. The firm received \$879,538 of gross revenue from the coaching program over two years. Notwithstanding contractual provisions and the firm's supervisory obligations, the firm neither adopted nor implemented any policies or procedures to supervise its employees in their review and approval of the marketing scripts the service provider used or to ensure that its employees monitored the service provider personnel's interactions with firm customers. The findings also stated that the firm approved marketing materials for the service provider that unfairly suggested to its customers that the firm ran the coaching program the service provider offered. Marketing scripts the firm approved failed to provide a fair and balanced treatment

of the risks inherent in options trading notwithstanding participation in the coaching program. The findings also included that the firm engaged in a retail OTC foreign exchange business prior to receiving approval of its NASD Rule 1017 application to do so. ([FINRA Case #2012030742601](#))

**Pershing LLC** ([CRD #7560](#), Jersey City, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$45,000 and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to immediately display customer limit orders in OTC securities in its public quotation, when each such order was at a price that would have improved the firm's bid or offer in each such security, or when the order was priced equal to the firm's bid or offer and the national best bid or offer for each such security, and the size of the order represented more than a *de minimis* change in relation to the size associated with the firm's bid or offer in each such security. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and FINRA rules, concerning limit order display. ([FINRA Case #2011029456201](#))

**Piper Jaffray & Co.** ([CRD #665](#), Minneapolis, Minnesota) submitted a Letter of Acceptance, Waiver and Consent in which the firm was fined \$5,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report transactions in TRACE-eligible securitized products to TRACE within the time required by FINRA Rule 6730(a). ([FINRA Case #2013038861401](#))

**RBS Securities Inc.** ([CRD #11707](#), Stamford, Connecticut) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$350,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that, for almost five years, it failed to file with FINRA copies of securities-related private civil litigation complaints in which it was named as a defendant or respondent. The findings stated that the firm failed to timely file updated Forms U4 for its registered representatives that were named as individual defendants in complaints filed against the firm. The findings also stated that after becoming a New York Stock Exchange (NYSE) member, the firm did not file any of the quarterly reports required by NYSE Rule 351(e). The firm notified FINRA of its filing deficiencies and identified two instances of reportable investigations that should have been disclosed to FINRA during the Rule 351(e) period. The findings also included that with respect to the complaint-filing rules, the firm's filing deficiencies were initially caused by human error and the repeated failure of the firm to identify the failures and make the required filings. This failure was not detected by the firm's supervisory systems for a continuous period of nearly five years. The firm failed to put in place an adequate supervisory system to implement and enforce its WSPs. The firm failed to have an adequate supervisory system to ensure that securities-related civil complaints were filed timely with FINRA, failed to adequately enforce its written procedures related to the complaint-filing rules and filing Forms U4 for registered representatives named

in, *inter alia*, pending investment-related civil actions, and failed to maintain accurate written policies that were reasonably designed to achieve compliance with the complaint-filing rules. The firm also failed to establish and maintain a system reasonably designed to achieve compliance with its filing obligations pursuant to Rule 351(e). ([FINRA Case #2011029975801](#))

**Scott & Stringfellow, LLC** ([CRD #6255](#), Richmond, Virginia) nka **BB&T Securities, LLC** ([CRD #142785](#), Richmond, Virginia) 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 sanctions and to the entry of findings that it failed to report S1 transactions in TRACE-eligible agency debt securities to TRACE within 15 minutes of the execution time. The findings stated that the firm, as managing underwriter, failed to report new issue offerings in TRACE-eligible agency debt securities to FINRA according to the time frames set forth in FINRA Rule 6760(b). ([FINRA Case #2011028877101](#))

**SunGard Brokerage & Securities Services LLC** ([CRD #104162](#), Geneva, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$12,500 and ordered to pay \$399.75, plus interest, in restitution to investors. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that in transactions for or with a customer, the firm failed to execute orders fully and promptly. The findings stated that, as a result, the firm failed to use reasonable diligence to ascertain the best inter-dealer market in these transactions and, therefore, failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions. ([FINRA Case #2011029998701](#))

**TradeKing LLC** ([CRD #136131](#), Fort Lauderdale, Florida) submitted a Letter of Acceptance, Waiver and Consent in which the firm was fined \$5,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to transmit ROEs to OATS and transmitted ROEs to OATS that contained inaccurate, incomplete or improperly formatted data. The findings stated that the ROEs failed to include special handling codes and limit prices for stop limit orders, failed to report the correct order quantity for Cancel Replace Reports, and submitted Cancel Reports as full cancels when they were partial cancels. ([FINRA Case #2012034027701](#))

**Vandham Securities Corp.** ([CRD #26258](#), Woodcliff Lake, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$75,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to sufficiently monitor for the risks of permitting three customers, two of whom the SEC had barred from the industry, to use the firm's direct market access (DMA) platform. The findings stated that despite the existence of red flags—which matched red flags in the firm's AML procedures, in the backgrounds of the customers, their relationships to each other, their relationships to the issuers whose penny stocks they sold, their communications with the firm, or their wiring activity—the firm failed to sufficiently investigate or monitor their activity to determine whether the firm needed to report it. The AML omissions were due in part to deficiencies in the firm's AML

procedures and the implementation of its suspicious activity monitoring program. The firm's AML procedures were not tailored to its business model and the procedures did not contain detailed guidelines regarding monitoring for suspicious activity. The AMLCO and the supervisor of the DMA program each assumed the other was monitoring wire activity, and the firm improperly relied to a large extent on its clearing agent for the review of incoming stock questionnaires for AML compliance purposes. As a result, these areas were not adequately monitored and the firm did not investigate whether certain suspicious transactions needed to be reported.

The findings also stated that the firm's WSPs did not address handling of sales of low-priced securities in delivery versus payment (DVP) accounts and Section 5 of the Securities Act of 1933, and other potential issues that may arise in such transactions. The firm did not have any system in place and failed to conduct a reasonable inquiry to ensure that the shares being sold were freely tradable and that the sales did not constitute a distribution in violation of Section 5 of the Securities Act of 1933 and its implementing regulations. The firm's written AML procedures did not address the issues presented by DVP accounts and the implementation of its procedures was inadequate to deal with the activity in its DVP accounts. As a result, the firm did not conduct any review to determine whether any potentially suspicious trading activity of the customer warranted further investigation to determine if a suspicious activity report should be filed. ([FINRA Case #2010023218602](#))

## Firm Sanctioned

**Golden Beneficial Securities Corporation ([CRD #48029](#), Houston, Texas)** submitted an Offer of Settlement in which the firm was censured. In light of the firm's financial status, no monetary sanction has been imposed. Without admitting or denying the allegations, the firm consented to the sanction and to the entry of findings that it aided and abetted the representative's operation of his company as an unregistered broker-dealer in violation of Section 15(a)(1) of the Securities Exchange Act of 1934. The findings stated that the firm allowed the company account to be opened and extended direct market access to the company master and subaccounts. The firm provided the representative with trading software, which allowed him to route company customers' orders to the market, track customers' trading, issue reports of its customers' profits and losses, monitor customers' equity and assign buying power, conduct other account maintenance including stopping trading in the subaccounts, and enabled him to conduct certain back-office functions for the company. The firm also assisted the representative in deducting fees owed by customers from their subaccounts and moving the money to the company master account, assisting with company's accounts' margin, and permitting him to operate his company from his office space at the firm. The findings also stated that because the firm's WSPs did not address its DMA business or its use of master/subaccount arrangements, those procedures were not tailored to the firm's business and were not reasonably designed to achieve compliance with applicable NASD® and FINRA rules and the federal securities laws. ([FINRA Case #2010023935101](#))

## Individuals Barred or Suspended

**Gregory Morgan Angelillo (CRD #5391037, Wayne, New Jersey)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Angelillo consented to the sanction and to the entry of findings that he completed a false variable annuity application and supporting documents for an individual without her authorization or consent, and signed her name on those documents without her authorization or consent. The findings stated that Angelillo submitted the documents to his member firm for processing. In response to the firm's queries concerning this application, Angelillo falsely told the firm that the individual was on vacation and/or had moved. ([FINRA Case #2013035932601](#))

**James William Applewhite III (CRD #1209709, Holly Springs, 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 one month. Without admitting or denying the findings, Applewhite consented to the sanctions and to the entry of findings that he exercised discretion by effecting transactions in customer accounts without obtaining the customers' prior written authorization and without his member firm's acceptance of the accounts as discretionary. The findings stated that the discretion was generally exercised pursuant to a strategy previously agreed upon with the customers. The firm did not permit discretionary trading, except for managed accounts and certain family brokerage accounts with pre-approved written discretion.

The suspension is in effect from June 16, 2014, through July 15, 2014. ([FINRA Case #2012034748801](#))

**Kirk Eric Archibald (CRD #6125762, St. Albans, New York)** 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, Archibald consented to the sanction and to the entry of findings that he failed to produce the documents and information FINRA requested during the course of an investigation into allegations that he created unauthorized bank automatic teller machine (ATM) cards while employed as a personal banker. The findings stated that Archibald advised FINRA through his attorney that he would not provide the documents and information requested. ([FINRA Case #2014039988301](#))

**James Kenneth Ard (CRD #5837571, Florence, South Carolina)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Ard misappropriated funds from his campaign for Lieutenant Governor of South Carolina. The findings stated that in contravention of South Carolina law, Ard charged more than \$12,000 in personal expenses to his campaign fund while, at the same time, using his position as Lieutenant Governor to develop new business relationships for his member firm. Ard signed a consent order in which he admitted to the improper personal use of

campaign funds. A grand jury issued an indictment against Ard charging him with several violations of South Carolina law, including the misuse of campaign funds. Ard pled guilty to seven misdemeanor charges of state law ethics violations, including the unlawful personal use of campaign funds, and then resigned from the office of Lieutenant Governor of South Carolina. ([FINRA Case #2012031746301](#))

**Loriann Artzberger (CRD #1324218, Sewickley, Pennsylvania)** submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Artzberger consented to the sanction and to the entry of findings that she failed to respond to FINRA requests for testimony during the course of investigating allegations of misconduct set forth in a Form U5 filed by Artzberger's member firm. The findings stated that during two separate conversations, Artzberger informed FINRA through counsel that she would not appear to testify. ([FINRA Case #2014040333701](#))

**Joseph Eugene Ayers (CRD #2942582, Dallastown, Pennsylvania)** submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$30,000 and suspended from association with any FINRA member in any capacity for one year. Without admitting or denying the findings, Ayers consented to the sanctions and to the entry of findings that he failed to provide prior written notice to his member firm describing in detail the proposed private securities transaction, his proposed role therein, and stating whether he had received or may receive selling compensation in connection with the transaction. The findings stated that the transaction was outside the regular course or scope of Ayers' employment with the firm and constituted a private securities transaction. Ayers signed an independent contractor agreement with a non-member company that sold promissory notes to investors in connection with a program of offering enhanced certificate of deposit (CD) products. A firm customer of Ayers' invested a total of \$500,000 in notes the company offered after Ayers introduced the customer to the company. The Pennsylvania Securities Commission issued a Summary Order to Cease and Desist against the company and its owners who solicited investors on the company's behalf. The company paid Ayers a \$7,500 finder's fee as compensation for referring the customer. The findings also stated that Ayers willfully failed to timely update his Form U4 within 30 days to disclose that judgment liens for unpaid taxes were filed against him.

The suspension is in effect from June 2, 2014, through June 1, 2015. ([FINRA Case #2013038634101](#))

**Angelo Barcelo III (CRD #4394074, St. Louis, Missouri)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Barcelo converted funds from his member firm. The findings stated that Barcelo created a fictitious account and sent a change of address request to his firm's clearing firm. Barcelo made a series of journal entries in the fictitious account to create a fabricated credit balance of \$5,796. Barcelo created a \$5,771 check distribution order funded by the fictitious account. Barcelo's

firm issued the check, which he subsequently cashed and used the funds to pay personal expenses. The findings also stated that Barcelo failed to respond to FINRA requests for information and documents. ([FINRA Case #2012034046801](#))

**Richard Lee Barrett** ([CRD #2516978](#), Altamonte Springs, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for one month. Without admitting or denying the findings, Barrett consented to the sanctions and to the entry of findings that he failed to timely update his Forms U4 with member firms to disclose a felony charge.

The suspension was in effect from May 19, 2014, through June 18, 2014. ([FINRA Case #2013036011201](#))

**James Joseph Bracey IV** ([CRD #2921386](#), Martinsville, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Bracey consented to the sanction and to the entry of findings that he received a \$175,000 loan from a customer of his member firm without notifying or obtaining the firm's prior approval. The findings stated that the loan was in connection with one of Bracey's unapproved outside business activities. On multiple occasions thereafter, Bracey renegotiated the interest payments on the customer's loan without notifying or obtaining his firm's prior approval. Bracey falsified the customer's written wire transfer instructions in order to execute an unauthorized transfer of funds from the customer's brokerage account to the customer's personal bank account outside of the firm. Bracey's falsification of the wire transfer form caused his firm to create and maintain inaccurate books and records evidencing a transfer of funds. The findings also stated that Bracey failed to timely notify his member firms of his outside business activities and never updated his Form U4 to reflect his activities with a company he helped form.

The findings also included that Bracey formed a company for the sole purpose of investing securities of a particular third-party issuer. Bracey solicited investors, including some customers from his firm, to invest and collectively purchase a block of series A shares from that third-party issuer in the amount of \$103,200. On a firm Annual Questionnaire, Bracey falsely responded in the negative with respect to whether he had engaged in any private securities transactions. Bracey failed to provide written notice to, and failed to obtain written approval from, his firm to engage in the private securities transaction. FINRA found that Bracey willfully failed to timely disclose material information to either of his firms, and failed to update his Form U4 to reflect compromises with creditors and liens. ([FINRA Case #2011026425501](#))

**Stephen Taylor Brown** ([CRD #5801839](#), Greenwich, Connecticut) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 15 business days. Without admitting or denying the findings, Brown consented to the sanctions and to the entry of findings that he failed to timely amend his Form U4 to disclose civil judgments.



The suspension was in effect from June 2, 2014, through June 20, 2014. ([FINRA Case #2012035350401](#))

**Sandra Leonor Cardenas (CRD #2806919, Las Vegas, Nevada)** submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Cardenas consented to the sanction and to the entry of findings that she misappropriated funds from her branch office's operating account. The findings stated that Cardenas made unauthorized ATM withdrawals of cash, wrote herself unauthorized checks from the operating account, and made an unauthorized journal transfer from the operating account to her personal account. In total, Cardenas misappropriated \$13,228 and, to date, has repaid \$3,570. ([FINRA Case #2013038218501](#))

**Taylor Lenguyen Centauri (CRD #3007648, Orlando, 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, Centauri consented to the sanction and to the entry of findings that, during the course of a FINRA investigation, he failed to appear and provide on-the-record testimony. ([FINRA Case #2012035147101](#))

**Kenneth Andrew Chapman (CRD #4384436, Centereach, New York)** submitted an Offer of Settlement in which he was fined \$7,500 and suspended from association with any FINRA member in any capacity for 18 months. Without admitting or denying the allegations, Chapman consented to the sanctions and to the entry of findings that he did not appear for FINRA-requested testimony or respond in any way after terminating an earlier on-the-record interview to obtain counsel. The findings stated that Chapman also did not respond in any manner to FINRA's requests to provide information. The testimony and information requests were in connection with investigations into allegations that Chapman had engaged in excessive trading and suitability violations, and that he had engaged in unauthorized trading and failed to honor a settlement agreement with a customer.

The suspension is in effect from June 2, 2014, through December 1, 2014. ([FINRA Case #2009016159108](#))

**Jun Rong Chen (CRD #2882820, Brooklyn, New York)** 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, Chen consented to the sanction and to the entry of findings that he failed to appear and provide testimony to FINRA. The findings stated that FINRA requested that Chen appear and provide testimony pertaining to allegations that he provided incorrect phone numbers for insurance company customers on traditional life insurance applications, used an address in his control to receive certain insurance company customers' mail, used checks from his approved outside business activity to pay the insurance premiums for insurance company customers' policies without there being identifiable familial relationships, personally purchased money orders to fund insurance policies for insurance company customers, knowingly submitted inaccurate change of ownership and beneficiary forms that indicated that there was a relationship

between the insured and the new policy owners and beneficiaries, and obtained applications for traditional life insurance policies during his suspension from the insurance company and instructed a colleague to sign the applications as the soliciting agent and witness, when in fact the colleague had not met the policy holders. Chen advised FINRA, through counsel, that he would not appear and provide testimony, provide any further documents and information, or otherwise participate in FINRA's investigation. ([FINRA Case #2013035695502](#))

**Paul Gerard Chiampa** ([CRD #1133609](#), East Longmeadow, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$7,500 and suspended from association with any FINRA member in any capacity for 30 business days. Without admitting or denying the findings, Chiampa consented to the sanctions and to the entry of findings that, in a total of five customer accounts at two member firms, he effected more than 250 transactions utilizing discretion without having obtained the customers' prior written authorization and written acceptance of the account as discretionary. The findings stated that Chiampa effected these transactions in separate accounts that he had established for each of the five customers for the specific purpose of participating in syndicate offerings and initial public offerings (IPOs) at the firms. The customers were aware of this strategy. The findings also stated that Chiampa represented on annual compliance questionnaires for one of the firms that he did not have any accounts in which business was transacted on a discretionary basis. Those representations were not accurate.

The suspension is in effect from June 16, 2014, through July 28, 2014. ([FINRA Case #2012034926401](#))

**Richard Andrew Christensen Jr.** ([CRD #875932](#), St. Charles, Missouri) submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for one month. Without admitting or denying the findings, Christensen consented to the sanctions and to the entry of findings that he failed to provide his member firm with prior written notice of his participation in private securities transactions, and failed to obtain his firm's approval of his participation in the investments. The findings stated that Christensen participated in private securities transactions on behalf of a limited liability company (LLC), outside the scope of his employment with his firm, involving purchases of securities, which occurred sporadically over a lengthy period of time and involving the investment of almost \$2 million. Christensen served as a co-managing member of the LLC. Christensen used the LLC as a type of holding company for which, in his capacity as co-manager, he made several private investments. Christensen participated in private securities transactions through the LLC by, among other things, contributing half of the funds used to make the purchases and the issuance of checks to make the purchases. These transactions involved securities such as interests in an entity that owned shares of a publicly traded company, convertible promissory notes and common stock. Christensen did not receive any commissions in connection with these transactions.

The suspension was in effect from May 19, 2014, through June 18, 2014. ([FINRA Case #2012032790401](#))

**Royeet Chugh (CRD #5241945, Jersey City, New Jersey)** submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for four months. Without admitting or denying the findings, Chugh consented to the sanctions and to the entry of findings that he signed the name of an officer of a banking client to multiple funds transfer payment order documents to facilitate, in accordance with the client's wishes, the transfer of monies from one of the client's accounts to its other accounts. The findings stated that the officer did not authorize Chugh to sign his name to those documents.

The suspension is in effect from June 2, 2014, through October 1, 2014. ([FINRA Case #2013038460801](#))

**William P. Crouch (CRD #6203865, Austin, Texas)** submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for two years. Without admitting or denying the findings, Crouch consented to the sanctions and to the entry of findings that he received permission to take the Series 7 licensing examination over a two-day period. The findings stated that before beginning the examination, Crouch was provided with the FINRA Test Center Rules of Conduct. Under those rules, he was not permitted to possess any notes or study materials during the examination. While taking the Series 7 examination, Crouch was found to have a piece of paper with notes relating to the subject matter of the examination.

The suspension is in effect from May 5, 2014, through May 4, 2016. ([FINRA Case #2013038573601](#))

**Robert Henry Decker (CRD #1942037, Pound Ridge, New York)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$7,500 and suspended from association with any FINRA member in any principal capacity for 20 business days. Without admitting or denying the findings, Decker consented to the sanctions and to the entry of findings that he caused spreadsheets that his member firm provided to FINRA to be inaccurate by placing his initials near a backdated notion. The findings stated that according to Decker, the date approximated the date on which he reviewed the spreadsheets. Decker, who is the firm's CCO, knew that the spreadsheets he marked would be provided to FINRA. Two months after his firm produced the spreadsheets, Decker alerted FINRA about the information he added to the documents.

The suspension was in effect from June 16, 2014, through July 14, 2014. ([FINRA Case #2011025434002](#))

**Jaime Andres Diaz** ([CRD #4298373](#), New York, New York) was barred from association with any FINRA member in any capacity and ordered to pay a total of \$600,000, plus interest, in restitution to customers. The sanctions were based on findings that Diaz willfully misrepresented and omitted material facts in connection with the purchase and sales of securities. The findings stated that Diaz misrepresented to customers and a co-worker that he would purchase securities with their funds when he never intended to do so. Diaz fraudulently solicited and received \$900,000 from customers and the co-worker, and kept the vast majority for his own use. Diaz converted the funds to his own use and benefit, made monetary payments to friends and covered office expenses. Diaz also concealed from investors negative financial information, the risk of loss of principal, known delays in ventures' business plans, his own failures to conduct due diligence, and his lack of authority to sell some of the products involved. Diaz convinced customers to sell securities or borrow against securities held in their accounts.

The findings also stated that Diaz engaged in private securities transactions in the form of promissory notes without providing his member firm with prior written notification of these sales, including describing the proposed transactions to the firm and his proposed role in the sales, and he failed to obtain prior authorization from the firm before making the sales. Diaz also misrepresented on an outside business disclosure form maintained in CRD that he was involved in outside businesses, but did not identify the sale of promissory notes as outside business activities, and inaccurately identified an entity as non-investment related, even though he solicited customer's investments in that entity. Diaz falsely represented on his firm's compliance questionnaire that his outside business disclosure form in CRD was correct and provided false answers on the questionnaire. The findings also included that Diaz provided untimely and incomplete responses to repeated FINRA requests for information and failed to respond in any manner to a FINRA request for information. ([FINRA Case #2011029545902](#))

**Eric Mitchell Douglas** ([CRD #4653684](#), Holland, 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, Douglas consented to the sanction and to the entry of findings that he failed to provide FINRA-requested documents or appear for an on-the-record interview in connection with FINRA's investigation into a potential private securities transaction and possible misrepresentations to customers. The findings stated that Douglas' counsel informed FINRA that Douglas would not appear for testimony and that Douglas will not cooperate with FINRA's investigation. To date, Douglas has failed to provide the documents and/or any testimony requested. ([FINRA Case #2012033176401](#))

**John Warren DuBrule** ([CRD #1223724](#), Orlando, Florida) submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, DuBrule consented to the sanction and to the entry of findings that he willfully engaged in securities fraud by knowingly or recklessly causing

the distribution of summary quarterly statements that contained false information about the valuation of a hedge fund. The findings stated that DuBrule knowingly inflated the value of the fund's assets on its quarterly statements by, among other things, including the face value and promised interest of defaulted promissory notes as assets of the fund, and he falsely inflated the value of investors' interests in the fund. DuBrule made materially false and misleading statements and omissions to investors to entice them to re-invest additional funds. DuBrule's member firm granted him permission to engage in this outside business activity. DuBrule failed to disclose that the valuation of the fund was based on defaulted promissory notes and promissory notes that had been cancelled. The summary quarterly statements contained false and misleading statements that claimed the fund utilized the services of an independent firm to prepare statements and tax reports, and that they were prepared in accordance with generally accepted accounting principles (GAAP). The findings also stated that DuBrule and his wife invested a total of \$88,554 in the fund and withdrew a total of \$92,405, relying on the inflated value of their investments in the fund. DuBrule misappropriated investor funds by withdrawing the funds despite knowing that the promissory notes had been cancelled and the value of the fund's assets had decreased substantially. Investors deposited \$3.8 million into the fund, based in part on the fraudulent misrepresentations and omissions in the summary quarterly statements. The findings also included that DuBrule and his colleague withdrew a quarterly management fee from the fund. DuBrule knew or was reckless in not knowing that they inflated the value of the fund's assets. By using the unsupported and inflated value of the fund to calculate the management fees, DuBrule knew or was reckless in not knowing that they were withdrawing significantly more than the .5 percent maximum quarterly fee, based upon the true and accurate value of assets in the fund. As a result, DuBrule and his colleague withdrew \$141,632 of excess fees from the fund, which came directly from what remained of the capital accounts of the fund's investors. FINRA found that despite knowing that a member of the firm's staff had forged a significant but unknown number of Deposit Securities Request forms and caused numerous unregistered penny stocks to be deposited into firm customer accounts absent supervisory review, DuBrule failed to conduct any investigation to determine the scope of the forgeries and unsupervised penny stock trading. ([FINRA Case #2011027666902](#))

**Ronald Terry Dunn (CRD #1374701, Haltom City, Texas)** submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, Dunn consented to the sanctions and to the entry of findings that he arranged to borrow \$40,000 from a customer at his member firm without notifying or obtaining the firm's written approval before obtaining the loan from the customer. The findings stated that the customer obtained the funds for the loan by borrowing \$40,000 against the accumulated cash value of a variable life insurance policy she had purchased through the firm. The customer and Dunn did not document a specific repayment schedule or duration for the loan. However, Dunn agreed to pay 7 percent

annual interest on the loan, which he memorialized in a letter to the customer. Dunn made payments to the customer totaling \$6,900. The customer and Dunn have agreed to a plan for the full repayment of the remaining balance.

The suspension was in effect from May 5, 2014, through July 4, 2014. ([FINRA Case #2013039299601](#))

**Orville Lee Elrick Jr. (CRD #200643, Wichita, Kansas)** 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, Elrick consented to the sanctions and to the entry of findings that he made stock purchases in a customer's individual retirement account (IRA) without the customer's prior written authorization. The findings stated that although the customer had discussed the possibility of purchasing the stocks, as well as other stocks, in meetings with Elrick, she did not authorize the transactions. Elrick did not obtain the customer's written authorization to exercise discretion in her account and his member firm had not approved the customer's account as a discretionary account. The findings also stated that Elrick twice made phone calls and falsely represented himself as customers, provided the customers' Social Security numbers to the representative, and made several exchanges in the customers' IRAs. One of these customers did not authorize Elrick to place the call or impersonate him, but later confirmed that the exchanges Elrick made were acceptable. The other customer instructed Elrick to make the IRA exchanges on his behalf.

The suspension was in effect from June 2, 2014, through June 13, 2014. ([FINRA Case #2012032568401](#))

**Carlos Nestor Evertsz-Seda (CRD #4757897, Lake Grove, New York)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for one month. In light of Evertsz-Seda's financial status, a lower fine was imposed. Without admitting or denying the findings, Evertsz-Seda consented to the sanctions and to the entry of findings that he failed to provide notice to, or receive approval from, his member firm for his associations with outside business activities. The findings stated that the firm's policies and procedures prohibited associates from participating in outside business activities without giving prior notice to, or receiving prior approval from, the firm.

The suspension was in effect from June 2, 2014, through July 1, 2014. ([FINRA Case #2013038657801](#))

**Mehrdad Michael Farhat (CRD #3015275, West Hollywood, California)** submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the findings, Farhat consented to the sanctions and to the entry of findings that he engaged in, and received compensation from, an undisclosed

outside business activity. The findings stated that Farhat failed to provide prior written notice to and receive approval from his member firm before becoming actively involved in the operations of a non-FINRA member commodity trading advisor registered with the National Futures Association (NFA). Farhat earned compensation from the commodity-trading advisor totaling \$33,407.66. The firm learned of Farhat's registration with the NFA as an associated person of the commodity trading advisor and conducted a branch audit. As a result of the audit, the firm terminated Farhat's registration for engaging in an undisclosed outside business activity. The findings also stated that Farhat provided false information to the firm in his annual compliance questionnaire concerning his engagement in outside business activities related to the commodity trading advisor.

The suspension is in effect from May 19, 2014, through November 18, 2014. ([FINRA Case #2012032484602](#))

**Ann Maria Ferrao** ([CRD #4481123](#), Miami, Florida) 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, Ferrao consented to the sanction and to the entry of findings that she refused to appear and provide FINRA-requested testimony during the course of an investigation into allegations that she misappropriated funds from clients' bank accounts for the benefit of other clients and for her personal benefit. The findings stated that Ferrao informed FINRA through counsel that she would not appear to testify. ([FINRA Case #2014040438401](#))

**Michael Andrew Fletcher** ([CRD #1283388](#), Falls Church, Virginia) submitted an Offer of Settlement in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the allegations, Fletcher consented to the sanctions and to the entry of findings that he failed to timely amend his Form U4 to disclose the material fact that he had been charged with a felony, and failed to amend his Form U4 to disclose the material fact that a lien had been filed against him.

The suspension is in effect from June 2, 2014, through December 1, 2014. ([FINRA Case #2012034384701](#))

**Shanon Lane Ford** ([CRD #4151684](#), New Castle, Washington) and **Philip Anthony Pizelo** ([CRD #2429418](#), Renton, Washington) submitted a Letter of Acceptance, Waiver and Consent in which Ford was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any principal capacity for one month. Pizelo was assessed a deferred fine of \$20,000 and suspended from association with any FINRA member in any principal capacity for three months. Without admitting or denying the findings, Ford and Pizelo consented to the sanctions and to the entry of findings that they failed to supervise their member firm's private placement business in a manner that was reasonably designed to achieve compliance with applicable rules and reasonably implement the firm's supervisory procedures. The findings stated that Ford and Pizelo

were the principals at their firm responsible for supervising the firm's offer and sale of private placements, including the firm's initial due diligence reviews, its approval of private placements for sale by the firm's representatives and its ongoing due diligence during the period the firm was offering and selling a particular security. Ford and Pizelo did not investigate certain red flags and did not evaluate a potential impact on an issuer's ability to continue operations as described in the private placement memorandum (PPM). The firm continued to sell the private placement, raising approximately \$5 million. The findings also stated that the individuals who controlled the entities and an affiliated entity involved in the private placements had been subject of arbitrations and lawsuits arising out of similar activity in the past and other proceedings, such as bankruptcies, that occurred in connection with business activities. Ford and Pizelo were aware of these circumstances but did not adequately evaluate the extent to which, taken together, they presented material risks to the operations and performance of the private placements.

Ford's suspension was in effect from June 2, 2014, through July 1, 2014. Pizelo's suspension is in effect from June 2, 2014, through September 1, 2014. ([FINRA Case #2011026174901](#))

**Michael James Frew** ([CRD #812805](#), Hillsborough, California) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Frew consented to the sanction and to the entry of findings that he provided a partial but substantially incomplete and misleading response to a FINRA request for information and documents, failed to respond to later requests and refused to appear for testimony. The findings stated that FINRA was investigating whether Frew had accepted loans from customers and converted those funds for personal use. Frew informed FINRA that he would not provide any additional response, and would not appear for testimony at any time. Frew's failure to cooperate significantly impeded FINRA's investigation. ([FINRA Case #2014039893701](#))

**Kirk Michael Fultz** ([CRD #2939751](#), Colbert, Washington) submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for four months. Without admitting or denying the findings, Fultz consented to the sanctions and to the entry of the findings that he willfully failed to timely amend his Form U4 to disclose a felony assault charge, and falsely stated to his member firm on his annual audit questionnaire that he had not been arrested or charged with any crime since his last audit.

The suspension is in effect from June 2, 2014, through October 1, 2014. ([FINRA Case #2013037783601](#))

**Kevin Francis Hamilton** ([CRD #1089468](#), Wycombe, 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, Hamilton consented to the sanction and to the entry of findings that he converted or misused approximately \$522,000 of funds he received from investors in a limited partnership he



controlled and marketed as an investment fund. The findings stated that Hamilton used some of this money for personal use, to pay expenses, and to redeem partnership units of individuals who had previously invested in his limited partnership. The findings also stated that Hamilton made fraudulent misrepresentations and omissions of material facts to, at minimum, the investors in his limited partnership in connection with the sale of its securities. As a result of his conduct, Hamilton willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and FINRA Rules 2010 and 2020. ([FINRA Case #2013038645001](#))

**William Alber Hayes (CRD #1398962, Chicago, 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, Hayes consented to the sanction and to the entry of findings that he made material omissions in connection with the sale of securities to clients, some of whom were customers of his member firm. The findings stated that Hayes sold alternative investments in the form of promissory notes to his customers, and raised more than \$500,000. Hayes failed to conduct adequate due diligence in connection with the investment. As a result, Hayes failed to learn of and disclose material facts.

The findings also stated that Hayes made unsuitable recommendations. Hayes did not adequately investigate the notes and did not have any reasonable basis to recommend the notes to his brokerage customers. In addition, one customer was borrowing money to make the investment and had liquidity needs—facts that Hayes knew or should have known. The recommendation of an illiquid promissory note for which there was no secondary market was further not suitable for the customer. The findings also included that Hayes personally guaranteed a note to investors, including on multiple occasions in written guarantees. At the time Hayes made the guarantees, he had limited net worth and was unable to satisfy the guarantees if they came due. In these circumstances, Hayes' financial condition was a material fact that should have been, but was not, disclosed to the investors he solicited.

FINRA found that Hayes received, via email, written complaints alleging sales practice violations from customers arising out of the sale of the promissory notes. Hayes recognized that one email was a complaint but willfully failed to amend his Form U4 within the required timeframe, and failed to accurately answer the corresponding question on a Form U4 filing that he subsequently made. Hayes also failed to amend his Form U4 to reflect a customer's complaint within the required timeframe. ([FINRA Case #2013037953501](#))

**David Andrew Herlicka (CRD #2627602, Bedford, New Hampshire)** submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$97,484.01, which includes the disgorgement of commissions received of \$77,484.01, and suspended from association with any FINRA member in any capacity for 18 months. Without admitting or denying the findings, Herlicka consented to the sanctions and to the entry of findings that he made recommendations to customers that were unsuitable for them based on their

financial situation and needs, and made false and inaccurate entries on customers' variable universal life insurance (VUL) applications. The findings stated that in connection with sales of VULs, Herlicka made inaccurate statements and failed to make disclosures to customers regarding the risk of withdrawing funds from VULs, the risk of policy lapse, the increase in mortality and expense fees over time, and the existence of surrender charges. Herlicka also failed to disclose a material fact in connection to his sale of a VUL to a customer. The findings also stated that Herlicka made unauthorized trades for both the purchase of a VUL for a customer and the surrender of his variable annuity. Despite the fact that Herlicka knew that the customer had not agreed to purchase a VUL, Herlicka and another registered representative effected a surrender of a variable annuity that the customer already owned, and used the proceeds to purchase a VUL on his behalf with a face value of \$1,500,000. The findings also included that Herlicka caused his member firm to create and maintain inaccurate books and records by making false entries, or signing applications with false entries another registered representative made, on firm VUL policy applications for customers by inflating the customers' net worth, and inflating the another customer's annual income.

The suspension is in effect from June 2, 2014, through December 1, 2015. ([FINRA Case #2012032749001](#))

**Oilda Caridad Hernandez (CRD #1076766, Miami, Florida)** 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, Hernandez consented to the sanction and to the entry of findings that she failed to appear for FINRA-requested investigative on-the-record testimony. The finding stated that FINRA requested Hernandez's appearance in order to obtain information concerning an investigation arising out of a corporate wash sale sweep involving transactions in non-U.S. corporate bonds her member firm executed. After a number of communications with FINRA, Hernandez informed FINRA that she would not appear for testimony. ([FINRA Case #2011030619901](#))

**Nicole Elise Holten (CRD #6102220, Los Angeles, California)** submitted a Letter of Acceptance, Waiver and Consent in which she was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Holten consented to the sanctions and to the entry of findings that she engaged in a check kiting scheme whereby she wrote checks totaling \$3,750 drawn against her personal checking accounts when she knew the accounts contained insufficient funds to cover them. The findings stated that in most instances, Holten deposited those checks into either the checking account from which the check was not written or a savings account. In numerous instances, immediately upon making the deposit, Holten withdrew funds or made expenditures from the accounts in which she made the deposit. In so doing, Holten knew that excluding the deposit of the aforementioned checks, the accounts did not contain sufficient funds to cover the withdrawals and expenditures. Thereafter, Holten deposited funds to clear the deficits in

her accounts created by the check-kiting scheme, generally by deposit of her paychecks within a few days. Holten paid any outstanding balance in her accounts at the time of the termination of her employment.

The suspension is in effect from May 19, 2014, through August 18, 2014. ([FINRA Case #2013036030902](#))

**Mark Horan (CRD #2130737, Far Hills, New Jersey)** submitted a Letter of Acceptance, Waiver and Consent in which he fined \$15,000 and suspended from association with any FINRA member in any capacity for 18 months. Without admitting or denying the findings, Horan consented to the sanctions and to the entry of findings that he participated in private securities transactions for which he was compensated without providing prior notice to, or receiving approval from, his member firm. The findings stated during Horan's annual compliance certification for the firm, he falsely certified and reaffirmed that in the past year, he had not recommended or referred any client or prospective client to any outside investment, or engaged in any outside investment, without firm approval. The findings also stated that Horan engaged in outside business activities without providing prompt written notice to his firm. Unbeknownst to the firm, Horan was the co-owner of a non-public LLC that performed energy audits. The findings also included that Horan used a personal email account to communicate with customers about business-related matters in contravention of his firm's policies and without its knowledge or approval. Horan prevented his firm from fulfilling its supervisory obligations regarding business correspondence and from preserving the emails in conformance with recordkeeping rules.

The suspension is in effect from June 2, 2014, through December 1, 2015. ([FINRA Case #2011028535501](#))

**Arnold Steven Janickas (CRD #2968360, Elmhurst, Illinois)** submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$5,000, suspended from association with any FINRA member in any capacity for two years and ordered to pay deferred restitution of \$360,117.83, plus interest, to a customer. Without admitting or denying the findings, Janickas consented to the sanctions and to the entry of findings that he accepted unsecured personal loans totaling \$805,000 from a customer of his member firm without the firm's knowledge or approval. The findings stated that the firm's written policies and procedures permitted lending arrangements between registered persons and their customers only in certain narrowly defined circumstances. All lending arrangements required the registered person to obtain the firm's written pre-approval. Janickas certified on firm annual compliance questionnaires that he had reviewed the firm's policies and procedures, and further acknowledged that associated persons must not engage in unethical business practices, which include borrowing money or securities from, or lending money or securities to a customer. Janickas used \$550,000 of the loans funds to purchase a house and the remaining \$255,000 was for renovations to the house. Janickas used the loan funds for other purposes unrelated to renovations to the house. Janickas sold his house for

\$675,000 and after a loan taken against the property was repaid, the balance of the sale proceeds of \$444,882.17 was sent directly to the customer, reducing the loan balance to approximately \$360,117.83, plus interest. Janickas has not repaid the balance of the loan.

The suspension is in effect from May 19, 2014, through May 18, 2016. ([FINRA Case #2013037883101](#))

**Christine Kalieta (CRD #4917844, Marlton, New Jersey)** submitted a Letter of Acceptance, Waiver and Consent in which she was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Kalieta consented to the sanctions and to the entry of findings that she presented checks for deposit, made payable to herself and drawn from her personal checking account, when she knew she had insufficient funds to cover the deposits and immediate withdrawals. The findings stated that in each instance, Kalieta wrote a personal check and deposited the check into a second personal account. Kalieta then immediately withdrew funds from the second account before the deposit was dishonored. Kalieta withdrew a total of \$3,380 on the basis of these illegitimate transfers. In each instance, Kalieta satisfied the resulting negative balance with a subsequent deposit, which she made between one to 10 days after each withdrawal.

The suspension is in effect from May 19, 2014, through August 18, 2014. ([FINRA Case #2013035910401](#))

**James Paul Kimmel Sr. (CRD #1167508, Tyrone, Pennsylvania)** submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the findings, Kimmel consented to the sanctions and to the entry of findings that he permitted the office manager of his insurance office and a registered person of his member firm to complete his FINRA Firm Element continuing education (CE) courses on at least three occasions. The findings stated that Kimmel also permitted an individual who at the time was a non-registered firm employee to complete his State of Pennsylvania long-term care insurance CE course.

The suspension is in effect from June 2, 2014, through December 1, 2014. ([FINRA Case #2013036812201](#))

**Gregg Matthews Kuchar (CRD #1033768, Asheville, North Carolina)** 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, Kuchar consented to the sanction and to the entry of findings that, in connection with a client's wish to transfer an investment and then sell it to obtain the proceeds, he forged the client's signature and initials on both the transfer and distribution forms. The findings stated that Kuchar submitted a forged transfer on death (TOD) form to a real estate company, on behalf of clients who had both passed away without any children or beneficiaries. The clients had

accounts with the company holding approximately \$210,000 in real estate investment trust shares. Shortly before submitting the TOD, Kuchar contacted the company about acquiring the form and then forged the clients' signatures on the form, back-dated it, and submitted it to the company. The company noted concerns with the form, froze the account, and contacted Kuchar's member firm. Subsequently, Kuchar admitted in a letter to his firm that he had forged the clients' signatures. The findings also stated that Kuchar called the company and a life insurance company impersonating an elderly client, and attempted to obtain confidential information related to withdrawing the client's required minimum distributions from an investment. ([FINRA Case #2013035724701](#))

**Craig Henry Leach (CRD #6113839, Boston, 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 60 days. Without admitting or denying the findings, Leach consented to the sanctions and to the entry of findings that he twice failed to amend his Form U4 to disclose felony charges and made a false statement to his member firm regarding the charges. The findings stated that Leach did not disclose within 30 days that he had been charged with two felonies while registered with his firm. Leach also falsely stated on an annual compliance questionnaire that he had not been arrested or arraigned during a period of time. Leach did not amend his Form U4 to disclose the two felony charges when applying for registration through another member firm.

The suspension is in effect from June 2, 2014, through July 31, 2014. ([FINRA Case #2013038556901](#))

**Sean Hayden Leidelmeyer (CRD #2737913, Magnolia, Texas)** submitted an Offer of Settlement in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the allegations, Leidelmeyer consented to the sanctions and to the entry of findings that he made misrepresentations regarding a master/subaccount arrangement in documents submitted to his member firm's clearing firm. The findings stated that Leidelmeyer knew, or should have known, that each of the statements was false. Leidelmeyer signed a customer subaccount agreement, which was sent to the clearing firm in connection with the opening of subaccounts associated with a company's master account. In addition, Leidelmeyer executed and submitted to the clearing firm a correspondent attestation on his firm's behalf in connection with the opening of subaccounts associated with the company's master account, and made false statements in those documents submitted to the clearing firm.

The suspension is in effect from June 2, 2014, through December 1, 2014. ([FINRA Case #2010023935101](#))

**Gary Benjamin Lesnik (CRD #4523441, Weston, Florida)** submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$60,000, suspended from association with any FINRA member in any capacity for eight months and required to

cooperate with FINRA in its continuing investigation of this matter. Without admitting or denying the findings, Lesnik consented to the sanctions and to the entry of findings that he operated an unregistered broker-dealer in willful violation of Section 15(a)(1) of the Securities Exchange Act of 1934. The findings stated that after opening an account with Lesnik's member firm, the unregistered broker-dealer operated as a day-trading company. The unregistered broker-dealer and Lesnik recruited retail customers to open accounts with his firm to day-trade securities using the unregistered broker-dealer's offices and equipment. Lesnik was the registered representative of record on each of the unregistered broker-dealer's customer accounts at his firm. The commissions that the unregistered broker-dealer earned, through Lesnik's receipt and transfer of commission payments from his firm, constituted transaction-based compensation and effecting transactions in securities. The findings also stated that Lesnik shared commissions with unregistered persons. Lesnik's firm paid him a total of \$131,450 in commissions that were generated from trading activity by retail customers that the unregistered broker-dealer referred to his firm. Lesnik endorsed the monthly commission checks that he received to the unregistered broker-dealer, which in turn distributed the commissions to the owners and members, including Lesnik. The unregistered broker-dealer's other owners and members were not registered with a FINRA member firm.

The suspension is in effect from May 5, 2014, through January 4, 2015. ([FINRA Case #2010023935004](#))

**John Richard Liegey (CRD #846047, London, United Kingdom)** submitted an Offer of Settlement in which he was assessed a deferred fine of \$75,000, barred from association with any FINRA member in any principal capacity and suspended from association with any FINRA member in any capacity for two years. Without admitting or denying the allegations, Liegey consented to the sanctions and to the entry of findings that he repeatedly failed to respond to FINRA's requests for information and documents. The findings stated that Liegey filed a Form U5 reporting that a registered representative at his member firm terminated his registration voluntarily. Thereafter, Liegey became aware that the registered representative had filed a FINRA arbitration against Liegey. Liegey left a voicemail for the registered representative threatening to retaliate against the registered representative for initiating his FINRA arbitration proceeding by falsifying his Form U5. The findings also stated that Liegey's firm, acting through Liegey, failed to employ a registered Financial and Operations Principal (FINOP) and two registered General Securities Principals (GSPs).

The suspension is in effect from May 19, 2014, through May 18, 2016. ([FINRA Case #2011025827801](#))

**Robert Birrell Livingstone (CRD #2211349, Wilmington, North Carolina)** 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, Livingstone consented to the sanction and to the entry of findings that he did not produce FINRA-requested documents and information relating to FINRA's investigation of a customer

complaint against Livingstone alleging participation in a private securities transaction. The findings stated that Livingstone informed FINRA that he would not comply with the requests. ([FINRA Case #2013038527501](#))

**Ralph Hicks Lord** ([CRD #312708](#), Jackson, Mississippi) submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the findings, Lord consented to the sanctions and to the entry of findings that he engaged in unapproved outside business activities without disclosing, or accurately disclosing, them to his member firms or on any Form U4. The findings stated that Lord submitted compliance questionnaires to a firm in which he denied having engaged in private securities transactions or having any “outside business activities to report,” and he acknowledged that he understood that he was required to disclose new activities each year. The findings also stated that Lord failed to timely disclose an outstanding judgment to his firm or on his Form U4.

The suspension is in effect from May 19, 2014, through November 18, 2014. ([FINRA Case #2011028244401](#))

**Robert Anthony Magliulo** ([CRD #2917180](#), Manhasset, 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, Magliulo consented to the sanctions and to the entry of findings that he permitted his sales assistant to complete the CE class for his Certified Financial Planner (CFP) designation. The findings stated that Magliulo provided his sales assistant with his log-in information for an online CFP CE class that would satisfy Magliulo’s CFP CE requirement. Magliulo asked his sales assistant to complete the CFP CE class on Magliulo’s behalf. The sales assistant completed the CFP CE class on Magliulo’s behalf and as a result, Magliulo fulfilled his CFP CE requirement.

The suspension was in effect from June 2, 2014, through June 13, 2014. ([FINRA Case #2012034618701](#))

**David Walton Matthews Jr.** ([CRD #323097](#), Longwood, Florida) submitted an Offer of Settlement in which he was fined \$15,000 and suspended from association with any FINRA member in any principal capacity for three months. Without admitting or denying the allegations, Matthews consented to the sanctions and to the entry of findings that as his member firm’s AMLCO, he failed to establish and maintain supervisory procedures reasonably designed to achieve compliance with AML rules and regulations, failed to monitor and detect suspicious activity, and failed to supervise penny stock trading activity. The findings stated that Matthews failed to implement AML procedures concerning penny stock trading that were designed to achieve compliance with the Bank Secrecy Act, failed to adequately review customer transactions involving penny stocks and failed to identify specific instances of suspicious activity in the accounts of firm customers that exclusively

traded in penny stocks, including failing to identify customers with securities-related history, failing to identify suspicious trading activity, and failing to identify red flags directly related to penny stock trading. In many instances, penny stock transactions were processed without any supervisory review.

The findings also stated that Matthews failed to adequately research the securities-related disciplinary history of the firm's customers, or was aware of their disciplinary history and did nothing to elevate or tailor the level of supervision of the customers' trading activity in light of this red flag. Matthews failed to identify irregular trading activity present during the time immediately after the issuance of issuers' press releases, and failed to identify an issuer's trading activity that should have reasonably been observed as a red flag according to the firm's AML procedures. Despite the fact that a customer had an extensive securities-related disciplinary history, along with other related facts, Matthews failed to observe that the customer's activities raised red flags and were potentially suspicious, such that he should have investigated the activities in order to determine whether it was necessary to file a suspicious activity report. In addition, Matthews failed to review dozens of forged Deposit Securities Request forms and allowed dozens of penny stock transactions to be processed absent any supervisory review. In some instances, unsupervised penny stock deposits were made into the firm accounts controlled by customers with securities-related disciplinary history.

The findings also included that Matthews failed to maintain an effective supervisory system and WSPs and failed to supervise and monitor outside business activities of representatives of the firm. Matthews failed to take reasonable steps to review the representatives' private securities transactions, and failed to record on the firm's books and records securities transactions that the representatives facilitated through their outside businesses. FINRA found that Matthews failed to supervise a representative's communications with the public that included information that was misleading, exaggerated and unwarranted. Matthews failed to ensure that the representative's websites were reviewed prior to use, and submitted to FINRA within 10 days of its proposed use.

The suspension is in effect from May 19, 2014, through August 18, 2014. ([FINRA Case #2011027666902](#))

**Sean Michael McDermott (CRD #4266504, Philadelphia, Pennsylvania)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$15,000, suspended from association with any FINRA member in any principal capacity for one year and required to requalify as a General Securities Principal by passing the Series 24 examination prior to associating with any FINRA member firm in any principal capacity following the suspension. Without admitting or denying the findings, McDermott consented to the sanctions and to the entry of findings that as a registered representative's supervisor, he was aware of the representative's involvement in a limited partnership and failed to recognize and address several red flags concerning the representative's limited partnership activities, which if investigated, could have allowed him to detect the representative's fraudulent



misrepresentations and omissions of material facts. The findings stated that despite red flags, McDermott failed to adequately respond and conduct a reasonable investigation concerning the representative's activities. McDermott knew that the representative maintained and used a separate non-member firm email account for his limited partnership activities. McDermott asked the representative to direct emails involving this email account to him, which the representative did, but McDermott never reviewed them. There were several emails that went unviewed by McDermott that the representative transmitted and received through his personal email account, which indicated that he was attempting to solicit additional investments in the limited partnership.

The suspension is in effect from June 2, 2014, through June 1, 2015. ([FINRA Case #2013038645002](#))

**Paloma A. Menezes (CRD #5113781, Miami, Florida)** 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 one month. Without admitting or denying the findings, Menezes consented to the sanctions and to the entry of findings that she improperly used signed wire instructions from a previously completed transaction to effectuate a wire transfer between two customers' accounts. The findings stated that Menezes was the account representative for the two customers. The customer wished to purchase Venezuelan utility bonds and at the time of the purchase, the customer's account did not have the necessary funds to complete the purchase. In order to effectuate the purchase, and with the customer's father's verbal authorization, Menezes utilized wire instructions signed by the father from a previous wire transfer that had moved funds from one of the father's accounts to another of his accounts. Instead of obtaining new wire instructions signed by the father to move the funds to the customer's account, Menezes utilized the prior wire instructions and changed the dollar amount and the recipient account to the customer's account number. The wire transfer was completed from the father's account to the customer's account, and the customer purchased the Venezuelan bonds.

The suspension was in effect from June 2, 2014, through July 1, 2014. ([FINRA Case #2013038065601](#))

**Ekaterina Mestre (CRD #5747882, Miami, Florida)** submitted a Letter of Acceptance, Waiver and Consent in which she was suspended from association with any FINRA member in any capacity for seven months. In light of Mestre's financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Mestre consented to the sanction and to the entry of findings that she failed to timely respond to FINRA requests for information and documents. The findings stated that Mestre did not provide her member firm with prior written notice of her outside business activities.

The suspension is in effect from May 5, 2014, through December 4, 2014. ([FINRA Case #2012035157202](#))

**Kevin Mark Nevin** ([CRD #2460059](#), Minneapolis, Minnesota) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$37,000, which constitutes disgorgement of all commissions, and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the findings, Nevin consented to the sanctions and to the entry of findings that he did not give his member firm prior written notice of his customers' intended investments in private placements. The findings stated that as a result, the firm never approved Nevin's participation in those transactions, did not record any of the transactions on its books and records, and did not supervise Nevin's activity with respect to the transactions. Nevin's customers at his firm invested a total of \$690,000 in the private placements. For Nevin's role in the transactions, he received a total of approximately \$37,000 in commissions.

The suspension is in effect from June 2, 2014, through December 1, 2014. ([FINRA Case #2012031950301](#))

**Daniel Lee Pancake** ([CRD #355836](#), Reno, Nevada) submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any principal capacity for two months. In light of Pancake's financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Pancake consented to the sanction and to the entry of findings that he failed to exercise reasonable supervision over a registered individual's recommendations of exchange-traded funds in customer accounts, which allowed the registered individual to conduct numerous unsuitable transactions. The findings stated that Pancake was responsible for establishing and maintaining his member firm's system for supervising the activities of its associated persons. Pancake failed to ensure that all options transactions at the firm were reviewed by an appropriately registered principal. None of the transactions the registered individual effected received supervisory review by a Registered Options and Security Futures Principal. Pancake also failed to establish, maintain, and enforce an adequate system of supervisory control policies and procedures.

The suspension is in effect from June 16, 2014, through August 15, 2014. ([FINRA Case #2012030670601](#))

**Stephen Douglas Pizzuti** ([CRD #1461660](#), Longwood, Florida) submitted an Offer of Settlement in which he was fined \$15,000, suspended from association with any FINRA member in any capacity for 10 business days and suspended from association with any FINRA member in a principal capacity for three months. The suspensions shall run concurrently. Without admitting or denying the allegations, Pizzuti consented to the sanctions and to the entry of findings that he disseminated securities-related communications to the public that contained material omissions and/or materially misleading information. The findings stated that Pizzuti made these communications through investor-related websites he controlled. Through the websites, Pizzuti marketed a subscription-based stock analyzer that used computational algorithms to identify stocks

with the highest Alpha and strongest performance. Pizzuti failed to provide a sound basis for potential investors to evaluate his product, and failed to present a balanced statement of its benefits and risks. Pizzuti's statements were exaggerated and misleading because they falsely implied that investors who did not purchase his system were taken advantage of by professional investors, and that investors who did purchase the system would have the same access to the market as professional investors. Pizzuti implied that investors who purchased his product would have access to non-public information, failed to define terminology about the product he was selling, and members of the public could not easily determine what product Pizzuti was selling or what services the system provided. Pizzuti claimed that his stock portfolios possessed the best quantitative and technical ranks in the market, however the website did not contain any information that would allow an investor to evaluate whether this statement was accurate. The websites failed to provide an explanation of any risks associated with purchasing and using the system or any of the portfolios within the system, and contained only a general disclaimer, which failed to address any specific risks presented by the products sold through the websites. The websites failed to prominently display Pizzuti's member firm's name and failed to disclose the relationship between the firm and Pizzuti. The findings also stated that Pizzuti failed to establish, maintain and enforce an adequate supervisory system. Despite knowing that a member of the firm's staff had forged a significant but unknown number of Deposit Securities Request forms and caused numerous unregistered low-price stocks to be deposited into firm customer accounts absent supervisory review, Pizzuti failed to conduct any investigation to determine the scope of the forgeries and unsupervised low-priced stock trading.

The suspension in any capacity was in effect from June 16, 2014, through June 27, 2014. The suspension in any principal capacity is in effect from June 16, 2014, through September 15, 2014. ([FINRA Case #2011027666902](#))

**Catherine E. Poole** ([CRD #1924882](#), **Holland, Pennsylvania**) submitted an Offer of Settlement in which she was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 30 business days. Without admitting or denying the allegations, Poole consented to the sanctions and to the entry of findings that she made false entries in her member firm's Web-based system called Web Access, Status and Approval of Requests (ASAP). The findings stated that Poole falsely represented that she verbally confirmed two wire transfer instructions with a customer when she did not, and she falsely represented that the reason for one of the wire transfer instructions was to pay for funeral expenses when she did not have any basis for such a representation. Poole falsely represented to her firm's document controller that the reason for the other wire transfer instruction was to pay for family-related funeral expenses when she did not have any basis for such a representation. Poole's false representations caused the document controller to record a fictitious purpose in ASAP concerning one of the wire transfer instructions. The findings also stated that Poole's fictitious entries in ASAP concerning her purported verbal confirmation of the wire transfer instructions, as

well as the purported reasons for wire transfer instructions, caused her firm to preserve and maintain false books and records. The document controller, relying on Poole's false representations, also caused the firm to preserve and maintain false books and records.

The suspension was in effect from May 19, 2014, through June 30, 2014. ([FINRA Case #2012032703801](#))

**Harold Frederick Scharfetter Jr. (CRD #1193087, Chillicothe, 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, Scharfetter consented to the sanction and to the entry of findings that he failed to provide FINRA-requested documents and information related to, among other things, allegations that he misappropriated approximately \$62,672 from his approved outside charitable business activity. The findings stated that Scharfetter received the request and subsequently retained counsel, who informed FINRA that he will not provide a response to FINRA. ([FINRA Case #2013037414301](#))

**Peter Thomas Slavin (CRD #1133577, Wilton, Connecticut)** submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the findings, Slavin consented to the sanctions and to the entry of findings that he misused his co-worker's funds. The findings stated that Slavin received permission to use a co-worker's credit card to pay his insurance licensing fees. Slavin thereafter used the co-worker's credit card, without first seeking permission, to pay for a telephone bill of approximately \$600. Slavin repaid the co-worker within one week of using the credit card.

The suspension is in effect from May 19, 2014, through November 18, 2014. ([FINRA Case #2013039379801](#))

**Gabriel Nelson Smith (CRD #2950071, Nashville, Tennessee)** was barred from association with any FINRA member in any capacity and ordered to pay \$200,000, plus interest, in restitution to a customer. The sanctions were based on findings that Smith solicited a customer of his member firm to invest in a short-term municipal bond that he indicated would guarantee a 15 percent return. The findings stated that based on Smith's representations, the customer gave Smith personal checks totaling \$200,000, payable to Smith, and Smith negotiated and endorsed all but one of the checks. Smith gave the customer a personal check for \$282,273.51, with the notation "payment for return of money," and drawn on an account that Smith purportedly held at a bank. When the customer presented Smith's check for payment, the bank dishonored the check with the notation "return reason – closed account." Smith never invested the customer's funds and has not returned any portion of the customer's \$200,000. The findings also stated that Smith failed to respond to FINRA requests for documents, information and testimony regarding the circumstances surrounding his dismissal from the firm. ([FINRA Case #2012034568401](#))

**Eric Jon Steverson** ([CRD #1104064](#), Powell, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$2,500 and suspended from association with any FINRA member in any capacity for 30 business days. Without admitting or denying the findings, Steverson consented to the sanctions and to the entry of findings that he engaged in outside business activities without giving his member firm prior written notice. The findings stated that Steverson received approximately \$11,825 in compensation for selling equity-indexed annuities (EIAs) to three individuals, one of whom was a customer of his firm. The sales totaled \$173,500. While the firm maintained an approved product list that included certain EIAs that the firm allowed its representatives to sell to customers, neither of the EIAs that Steverson sold to the individuals was on the firm's approved product list.

The suspension was in effect from May 19, 2014, through June 30, 2014. ([FINRA Case #2012035285401](#))

**James Geoffrey St. Leger** ([CRD #2671578](#), Spring, Texas) submitted an Offer of Settlement in which he was fined \$30,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the allegations, St. Leger consented to the sanctions and to the entry of findings that he operated a company as an unregistered broker-dealer in willful violation of Section 15(a)(1) of the Securities Exchange Act of 1934. The findings stated that St. Leger opened a master/subaccount arrangement at his member firm in the name of the company. At the time St. Leger was operating the company account, he was a registered representative with his firm. St. Leger permitted the company's customers to act as pattern day traders without maintaining minimum margin equity of \$25,000, and allocated buying power to customers in excess of four times their margin equity. St. Leger set up the company account specifically to allow its customers to circumvent the day-trading limitations of NASD Rule 2520. The findings also stated that St. Leger signed a customer subaccount agreement, which was then sent to his firm's clearing firm in connection with the opening of subaccounts associated with a company master account. St. Leger executed and submitted to the clearing firm attestations on his company's behalf in connection with the opening of subaccounts associated with the company's master account. St. Leger made false statements in those documents and knew, or should have known, that each of the statements was false.

The suspension is in effect from June 2, 2014, through December 1, 2014. ([FINRA Case #2010023935101](#))

**Berle Lorenzo Stocks** ([CRD #1513263](#), Charlotte, North Carolina) 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, Stocks consented to the sanction and to the entry of findings that he placed securities transactions in a customer's account without obtaining the customer's authorization for the trades. The findings stated that while exercising control over the customer's account, and while acting

with the requisite scienter, Stocks excessively and unsuitably traded and churned the customer's account in a manner that was inconsistent with the customer's investment objectives, financial situation and needs. Stocks' improper trading activity resulted in losses of approximately \$75,000 and generated total commissions of approximately \$110,000. As a result of Stocks' conduct, he willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. ([FINRA Case #2012033141501](#))

**Marc Howard Sussman** ([CRD #1068616](#), New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for 12 months. Without admitting or denying the findings, Sussman consented to the sanctions and to the entry of findings that he forged the signatures of member firm customers on account forms. The findings stated that Sussman's firm discovered through routine email review that he had received what the firm considered a written complaint. In the course of its resulting internal investigation of Sussman, his firm determined that he had signed customer names on various firm documents, including forms used to transfer customer funds into new managed accounts. Sussman signed the forms on customers' behalf after discussing the transfers with the customers, as an accommodation, and with a reasonable belief that he had implied or explicit authorization to sign on behalf of those customers.

The suspension is in effect from June 2, 2014, through June 1, 2015. ([FINRA Case #2013036013701](#))

**David Paul Trocasso** ([CRD #4949123](#), Riverside, California) submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Trocasso consented to the sanctions and to the entry of findings that he willfully failed to update his Form U4 to disclose that he had filed for bankruptcy protection.

The suspension is in effect from May 5, 2014, through August 4, 2014. ([FINRA Case #2012033946501](#))

**Kevin Anthony Tuttle** ([CRD #2414158](#), Orlando, Florida) submitted an Offer of Settlement in which he was fined \$50,000 and suspended from association with any FINRA member in any capacity for two years. Without admitting or denying the allegations, Tuttle consented to the sanctions and to the entry of findings that after obtaining permission from his member firm to manage two hedge funds, as an outside business activity, Tuttle, along with his partner, also a registered representative at the firm, sent investors quarterly reports and account statements with inflated account values. The findings stated that Tuttle's partner assigned values to assets of a fund, which were reflected in quarterly account statements and falsely inflated the value of investors' interests in the fund. As partner in the fund, Tuttle was negligent in not adequately investigating whether his partner had assigned appropriate values to the assets of the fund prior to sending

out the quarterly statements to investors. The findings also stated that Tuttle and his partner sent summary quarterly statements to fund investors which showed improper valuations of their investments and interests. Contrary to the asset values contained in the summary quarterly statements, these investors had suffered losses. By sending the summary quarterly statements to the investors, Tuttle negligently misrepresented that their investments in the fund had increased in value. Tuttle negligently failed to disclose that the valuation of the fund was based on defaulted promissory notes and promissory notes that had been cancelled and negligently failed to inform investors that valuations on summary quarterly statements included capital accounts that were inflated and contained promissory notes that were in default or were cancelled. These omissions were material because they concerned the true and accurate value of assets in the fund. Fund investors deposited \$3.8 million into the fund, based in part, on the misrepresentations and omissions in the summary quarterly statements. Tuttle was negligent in not disclosing the proper valuation of the fund to these customers.

The findings also included that Tuttle and his partner withdrew a quarterly management fee from the fund. According to the terms of the fund's PPM, Tuttle and his partner were permitted to withdraw .5 percent per quarter of the equity of the fund for a management fee. Tuttle was negligent in not knowing that the partner inflated the value of the fund's assets. By using the unsupported and inflated value of the fund to calculate the management fees, Tuttle was negligent in not knowing that he and his partner were withdrawing significantly more than the .5 percent maximum quarterly fee, based upon the true and accurate value of assets in the fund. As a result, Tuttle and his partner withdrew \$141,632 of excess fees from the fund, which came directly from what remained of the capital accounts of the fund's investors.

The suspension is in effect from May 19, 2014, through May 18, 2016. ([FINRA Case #2011027666902](#))

**Emily Palmer Vitale (CRD #1664984, Indian Rocks Beach, Florida)** submitted a Letter of Acceptance, Waiver and Consent in which she was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Vitale consented to the sanctions and to the entry of findings that while facilitating a customer's request to transfer funds from the customer's brokerage account to the customer's bank checking account, she falsified an LOA by cutting the customer's signature from another document and pasting the customer's signature onto the LOA. The findings stated that Vitale submitted the LOA to her member firm, which caused the firm's books and records to be inaccurate.

The suspension is in effect from May 5, 2014, through August 4, 2014. ([FINRA Case #2014040053801](#))

**John Frederick Wolle** ([CRD #5479607](#), Riviera Beach, Florida) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Wolle falsified and forged a customer's signature on documents relating to an annuity application without the customer's authorization and failed to provide his member firm with prior written notice of his outside business activities. The findings stated that Wolle photocopied a blank, pre-signed annuity application and kept multiple copies in his files. Wolle submitted the annuity application to an insurance company that offered it and signed the application as the selling agent. When Wolle signed the application, he made false attestations. Wolle was asked by his business associate to submit another annuity application for the customer in which he used the blank, pre-signed application he had retained and copies of the two documents upon which he had previously forged the customer's signature. Wolle again made false attestations. Wolle received approximately \$14,000 in commissions for the annuity sales to the customer, and he remitted all of the commissions to his business associate. The customer informed the insurance company that the annuity purchases were unauthorized and the company thereafter cancelled the contracts and returned the portion of the customer's funds that Wolle had submitted. The findings also stated that Wolle associated with his firm without conducting securities business to avoid requalification requirements. ([FINRA Case #2013035801101](#))

**Glen Edward Woodard** ([CRD #2484436](#), White Bluff, Tennessee) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Woodard consented to the sanctions and to the entry of findings that he engaged in outside business activities when he sold EIAs to individuals, some of whom were his customers of his member firm, without providing prompt written notice to the firm. The findings stated that collectively, these transactions resulted in \$892,000 in total sales, and in the payment of \$37,492 in commissions to Woodard. Woodard falsely certified to the firm that he had not sold EIAs outside the scope of his employment.

The suspension is in effect from June 16, 2014, through September 15, 2014. ([FINRA Case #2013036556701](#))

**Jennifer Kaye Woods** ([CRD #4119602](#), Kingwood, Texas) submitted an Offer of Settlement in which she was fined \$10,000, suspended from association with any FINRA member in any principal capacity for 60 days and required to requalify by examination before again acting in a principal capacity. Without admitting or denying the allegations, Woods consented to the sanctions and to the entry of findings that she failed to cause her member firm to adopt procedures that addressed its DMA business or its use of master/subaccount arrangements. The findings stated that Woods was the firm's president and CCO and was responsible for creating and updating the firm's WSPs.

The suspension is in effect from June 2, 2014, through July 31, 2014. ([FINRA Case #2010023935101](#))



**Michael John Wurdinger** ([CRD #4926912](#), St. Louis, Missouri) submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any principal capacity for six months and required to requalify by examination before acting in any principal capacity after the suspension. In light of Wurdinger's financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Wurdinger consented to the sanctions and to the entry of findings that he failed to address numerous red flags indicating debenture transactions that he approved were unsuitable or may have involved misrepresentations to customers. The findings stated that Wurdinger's review and approval of the sales was limited to checking that the forms submitted with the transaction were filled out in full. As a result, Wurdinger failed to supervise debenture sales totaling more than \$4.3 million to customers in a manner reasonably designed to achieve compliance with the suitability requirements of FINRA and NASD rules. Wurdinger was the primary supervisory principal responsible for reviewing and approving debenture sales by his member firm's registered representatives and he had no prior supervisory experience reviewing securities transactions for suitability. Wurdinger did not understand the unique features and risks of the debentures, and he lacked a basic understanding of the requirements of suitability or principal review. Despite the presence of red flags, Wurdinger failed to take reasonable steps to ensure the debenture sales were suitable or had been accurately represented to customers. Wurdinger approved the debenture purchases without considering whether those purchases were consistent with, among other things, the customer's investment objectives, risk tolerances, financial conditions, ages or liquidity needs. Nor did he consider whether representations that had been made regarding the debentures were accurate.

The suspension is in effect from June 16, 2014, through December 15, 2014. ([FINRA Case #2012034936001](#))

**Michael Linfeng Zheng** ([CRD #6123056](#), New York, New York) 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, Zheng consented to the sanction and to the entry of findings that he converted funds for his personal use by taking an unattended bank customer's debit card from a back office of his bank branch, an affiliate bank of his member firm, and programming the card's personal identification number (PIN) on a coworker's unlocked computer. The findings stated that shortly thereafter, Zheng used the debit card at a nearby ATM to withdraw \$404 from the bank customer's account, without the bank customer's knowledge or consent. ([FINRA Case #2014040218501](#))

## Decisions Issued

The Office of Hearing Officers (OHO) issued the following decision, which has been appealed to or called for review by the NAC as of May 31, 2014. 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 Disciplinary and Other Actions*.

**John Vincent Ballard** ([CRD #2988526](#), Memphis, Tennessee) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Ballard failed to provide FINRA-requested information and documents, and failed to appear for FINRA-requested testimony. The findings stated that Ballard failed to provide his member firm with prior written notice of his outside business activity.

This matter has been appealed to the NAC and the sanction is not in effect pending review. ([FINRA Case #2010025181001](#))

**Michael Earl McCune** ([CRD #1640241](#), Overland Park, Kansas) 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 McCune willfully failed to timely amend his Form U4 to disclose bankruptcies and liens filed against him and inform his member firm.

This matter has been appealed to the NAC and the sanctions are not in effect pending review. ([FINRA Case #2011027993301](#))

**Keilen Dimone Wiley** ([CRD #4259612](#), Houston, Texas) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Wiley collected more than \$6,000 in insurance premium payments from insurance customers and converted those funds to his own use. The findings stated that Wiley did not deposit the insurance premium payments into the co-banking account as required, but deposited the premium payments into his company's business account and used the funds to pay personal and business expenses. When Wiley learned that he would be audited, he transferred funds from his company's business account into the insurance company's account to bring himself current with the premium payments he owed to the company. In the course of the audit, Wiley admitted that he had used premiums to meet personal needs, and followed up with an email to his manager explaining why he had done so. The findings also stated that a year later, testifying at a FINRA on-the-record interview, Wiley denied making personal use of the funds, and as a result provided false testimony to FINRA.

This matter has been appealed to the NAC and the sanction is not in effect pending review. ([FINRA Case #2011028061001](#))

## Complaints Filed

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

**Brookville Capital Partners LLC. ([CRD #102380](#), Melville, New York) and Anthony F. Lodati ([CRD #4877082](#), Roslyn, New York)** were named respondents in a FINRA complaint alleging that the firm and Lodati, the firm's president, defrauded customers in connection with the sale of a private placement offering in violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The complaint alleges that the firm and Lodati solicited customers to invest in the offering using a PPM that did not disclose any information about an individual involved in the offering. Lodati learned that the individual, who had effected transactions on behalf of the private placement, had been sanctioned and fined by the SEC for securities fraud, and convicted of a felony by the state of Florida. At no time did the firm or Lodati inform any of the customers as they were solicited to invest in the offering of the individual's involvement with the offering or of his regulatory and criminal background. Lodati knew or should have known that the individual's involvement with the offering and his regulatory and criminal background were material, but did not disclose this information orally or through the PPM when they solicited investors to purchase interests. The complaint also alleges that the firm, through Lodati, failed to conduct adequate due diligence of the offering, its principals, related entities and the escrow agent's principal. The firm, Lodati, and others that Lodati was supervising ignored numerous red flags that arose while Lodati and others were conducting due diligence and after the firm began selling the investment to customers, and they unreasonably relied on a managing member's representations despite repeated instances where they learned his representations were not true. The red flags should have indicated the need for additional investigation or led Lodati not to approve the transactions. The firm and Lodati did not understand the potential risks inherent in recommending the investment to customers. Nonetheless, the firm and Lodati recommended the securities to investors, including firm customers. The firm and Lodati lacked a reasonable basis to believe that the recommendation of the private placement could be suitable for any customer. The complaint further alleges that the firm failed to have adequate policies and procedures, including WSPs, and failed to implement an adequate supervisory system related to the sale of private placements. Lodati caused the firm to fail to complete due diligence steps required by the firm's WSPs with respect to the transaction. Lodati knew of missing or incomplete documents and information at the time he certified that due diligence was complete. Lodati knew or should have known that the missing or incomplete documents and information were material to the transaction. ([FINRA Case #2012030968601](#))

**Demitrios Hallas** ([CRD #4199832](#), New York, New York) was named a respondent in a FINRA complaint alleging that he recommended that customers liquidate their investments and invest the proceeds in bond funds without having a reasonable basis for his recommendations. The complaint alleges that the investment switches were not suitable for the customers' financial circumstances and needs and caused the customers to incur unnecessary extra fees and charges. Hallas failed to ascertain whether one of the customers would incur a surrender charge for liquidating their fixed annuity and prepared an investment switch letter stating that there would not be a surrender charge. Hallas did not have any reason to believe that the bond fund would provide greater financial benefit to the customer than the fixed annuity despite knowing that it exposed the customer to greater risk than the fixed annuity. The customer executed the recommended investment switch, incurred surrender and sales charges and suffered adverse tax consequences from switching investments. The complaint also alleges that Hallas recommended that another customer partially liquidate a unit investment trust (UIT) and invest the proceeds in a bond fund. The customer executed the recommended switch and incurred a sales charge as a result. Hallas did not have any reason to believe that the bond fund would provide greater financial benefit to the customer than the UIT or that it was better suited to the customer's investment objectives or risk tolerance. In light of the sales charge, the switch was not suitable for the customer's financial situation and needs. ([FINRA Case #2012031943701](#))

**George Wayne Hoffman** ([CRD #5068220](#), Parkville, Maryland) was named a respondent in a FINRA complaint alleging that Hoffman caused \$17,000 to be withdrawn from a customer's account without the customer's knowledge or authorization. The complaint alleges that Hoffman used \$2,219 of the funds to pay his personal expenses and a debt. Hoffman caused the remaining \$14,781 to be deposited into a bank account he controlled, and did not return any funds to the customer. Hoffman did not have the customer's permission or authority to use the customer's funds for his personal use and benefit. The complaint also alleges that Hoffman created and submitted LOAs to his member firm, which authorized the transfer of funds from the customer's firm account to a third-party's bank account. Hoffman did not have the customer's permission to create or submit the LOAs to the firm or transfer funds from the customer's account. Hoffman's submission of falsified LOAs caused his firm to maintain inaccurate books and records. The complaint further alleges that Hoffman borrowed \$36,000 from the same customer without obtaining the firm's written approval. Hoffman did not notify his firm of the loan and did not obtain the firm's approval for the loan. In addition, the complaint alleges that Hoffman failed to provide FINRA with requested information and testimony in connection with its investigation. ([FINRA Case #2012032922101](#))

**Eric Andrew Jacobs** ([CRD #5907784](#), San Francisco, California) was named a respondent in a FINRA complaint alleging that he disseminated his member firm's confidential information without the firm's approval to do so. The complaint alleges that Jacobs sent an email from his firm email address to two individuals with a non-public document attached to the email. The document was draft research and contained the firm's confidential, non-public

information and analysis of a company. Jacobs sent the email approximately two weeks before the company's IPO. An affiliate of Jacobs' firm was a member of the underwriting syndicate for the company's IPO. Before sending the email, Jacobs did not request and did not have the firm's approval to disseminate the document outside of the firm or to send his email. The firm had at least four different policies that prohibited the disclosure of confidential information. These policies were distributed to Jacobs well before he sent the email, putting him on notice that the information should not have been disclosed. ([FINRA Case #2012034284301](#))

**Sean Anthony Spearman (CRD #2945116, Coto de Caza, California)** was named a respondent in a FINRA complaint alleging that he was required to sell a customer's holdings because of margin requirements. The complaint alleges that Spearman sold shares for several hours that day out of his proprietary account and he knew the price that the customer was given did not reflect the market price. By giving the customer less than the market price and less than the amount for which he sold the shares, Spearman made a profit of \$239,772, excluding the \$18,327 commission, at the customer's expense. Spearman did not disclose to the customer how he handled the trades and the profit he made on the trades. On a later date, Spearman sold shares out of a member firm account to reduce the customer's debit balance. Spearman did not sell the shares directly out of the firm account. Instead, Spearman bought shares in one of his proprietary accounts and knew or was reckless in not knowing that price was well below the market price. By giving the customer an unfair price, which was significantly less than the market price, and significantly less than the amount for which he sold the shares, Spearman made a \$45,771 profit at the customer's expense. Spearman did not disclose to the customer how he handled the trades and the profit he made on the trades. Spearman's failure to disclose how he handled the trades and the profits he made was intentional, or at a minimum, reckless. The facts that Spearman failed to disclose to the customer were material and he had a duty to disclose those facts. The complaint also alleges that Spearman executed customer orders for an exchange-traded security by selling to or buying from the street in his account and completing the trade with the customer from that account at a price that gave him a profit. In each situation, Spearman did not disclose any of the markups or markdowns to his customer or the firm. Spearman was not a market maker in the securities being traded, and the trades were contemporaneous and designed to be offsetting. As a result of his conduct, Spearman willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rules 10b-5 and 10b-10 thereunder. ([FINRA Case #2010023220501](#))

**Paul Eric Taboada (CRD #2033981, Old Brookville, New York)** was named a respondent in a FINRA complaint alleging that he misappropriated funds and securities from investors in a special purpose entity he created to acquire pre-IPO shares of a stock. The complaint alleges that Taboada used a total of \$43,575.18 belonging to investors, without their knowledge or consent, to pay placement fees and expenses other investors owed. Taboada failed to distribute certain shares to investors in which they were entitled to under his entity's operating agreement. The complaint also alleges that Taboada provided false and

misleading information to investors to conceal his misappropriation. Taboada caused a broker-dealer to charge his entity a higher fee on the entity's purchase of an interest in the broker-dealer's special purpose entity in order to increase the amount of his member firm's sales concession on the transaction. Taboada misrepresented the amount of the fee his entity paid to the broker-dealer on his entity's purchase of an interest. Taboada failed to disclose to investors the sales concessions his firm received from the broker-dealer on his entity's purchase of interests. The complaint further alleges that in response to FINRA requests for information, Taboada provided false documents and falsely testified under oath. ([FINRA Case #2012034719701](#))

**Brian Michael White (CRD #5126711, Houston, Texas)** was named a respondent in a FINRA complaint alleging that he and two other registered representatives of his member firm engaged in an undisclosed outside business activity. The complaint alleges that the entity's business was outside the scope of White's employment with his firm, and he and his two partners never sought permission to participate in the business, nor did they disclose its existence to the firm, contrary to the firm's compliance policies. White never obtained his firm's written approval to participate in the outside business activity. During an internal firm annual compliance examination, before the compliance examiner confronted him with the existence of the entity, White stated and verified by signature that he was not involved in any outside business activities beyond what he had previously disclosed in an earlier outside business activity form, which did not mention the entity. The complaint also alleges that White participated in an undisclosed private securities transaction without disclosing the existence of the transaction to his firm, or seeking the firm's permission to participate in it. White participated in this transaction outside the regular course or scope of his employment with the firm. During an annual compliance examination, White stated and verified by signature that he had not participated in any private securities transactions. The firm's compliance manual specifically prohibited engaging in private securities transactions unless prior written notice was provided and prior written permission was given and it specifically listed the sale of promissory notes as being within the prohibition. White never provided written notice of, or received written permission for, participation in the sale of the notes. The complaint further alleges that in response to a FINRA request to appear and give testimony, White provided false testimony regarding the outside business and his activities with this business. ([FINRA Case #2012033128703](#))

**August Donat Wojtkiewicz (CRD #6083270, New York, New York)** was named a respondent in a FINRA complaint alleging that he completed, signed and submitted to a member firm a Form U4 that willfully misrepresented that he had never been charged with or pled guilty to any felony. ([FINRA Case #2012034042001](#))

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**Individuals Barred for Failure to Provide Information or Keep Information Current Pursuant to FINRA Rule 9552(h)**

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

**Dion Anthony Allison (CRD #5305728)**

Astoria, New York  
(May 2, 2014)

FINRA Case #2013039068601

**Elizabeth Castillo (CRD #5956480)**

Brooklyn, New York  
(May 19, 2014)

FINRA Case #2013037603001

**Nadia Treza Cavner (CRD #2292105)**

Springfield, Missouri  
(May 30, 2014)

FINRA Case  
#2013037030001/20130372218

**Jason M. Cruciani (CRD #4014764)**

Mt. Bethel, Pennsylvania  
(May 16, 2014)

FINRA Case #2012031589201

**Jason Ralph Harper (CRD #4884084)**

Saint George, Utah  
(May 16, 2014)

FINRA Case #2013035652301

**Mathew Lynn Hartshorn (CRD #5732511)**

Puyallup, Washington  
(May 13, 2014)

FINRA Case #2013038203201

**Michael David Liebl (CRD #3264044)**

Keene, New Hampshire  
(May 7, 2014)

FINRA Case #2012034698601

**Leslie Ann Ingram Miller (CRD #4451742)**

Edina, Minnesota  
(May 6, 2014)

FINRA Case #2013037408501

**Leslie Dale Packer Jr. (CRD #1653928)**

Palm Desert, California  
(May 19, 2014)

FINRA Case #2013036880401

**Michael Donnelly Samouce (CRD #1403442)**

Austin, Texas  
(May 27, 2014)

FINRA Case #2013037993901

**Gerard Robert Thompson (CRD #1590825)**

Plymouth, Wisconsin  
(May 22, 2014)

FINRA Case #2013037180601

**Stephen Roger Voboril (CRD #2246376)**

New Berlin, Wisconsin  
(May 8, 2014)

FINRA Case #2013038929401

**Pamela Stephens Williams (CRD #4845225)**

Columbus, Georgia  
(May 5, 2014)

FINRA Case #2012034132001

**Ronen Zakai (CRD #4244908)**

New York, New York  
(May 16, 2014)

FINRA Case #2013037670101

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

**Russell Kent Childs (CRD #1192883)**  
Spring, Texas  
(May 8, 2014)  
FINRA Case #2010022296201

**Charles Jesse Duff (CRD #4682320)**  
New York, New York  
(March 1, 2012 – May 5, 2014)  
FINRA Case #2008011678301

**David Randolph Haase (CRD #2534907)**  
Wayne, Pennsylvania  
(May 21, 2014)  
FINRA Case #2011028452902

**George John Lincon (CRD #3181509)**  
Glen Cove, New York  
(May 21, 2014)  
FINRA Case #2011025870001

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

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

**Barry Lee Adams (CRD #1631898)**  
Perrysburg, Ohio  
(May 8, 2014)  
FINRA Case #2014039838501

**Christopher Lawrence Anderson (CRD #4799519)**  
Wantagh, New York  
(May 15, 2014)  
FINRA Case #2014040182901

**Saravana Ram Balakrishnan (CRD #5523079)**  
Oakland, California  
(May 22, 2014)  
FINRA Case #2014040683501

**Joshua M. Barton (CRD #5884591)**  
Glenville, New York  
(May 5, 2014)  
FINRA Case #2013036370301

**Theresa Maria Black (CRD #6053400)**  
New Haven, Connecticut  
(May 12, 2014)  
FINRA Case #2013039070601

**Jason Alexander Bryan (CRD #6167416)**  
Windsor, Wisconsin  
(May 5, 2014)  
FINRA Case #2013037299701

**Roland G. Butler (CRD #5867300)**  
Waltham, Massachusetts  
(May 27, 2014)  
FINRA Case #2013038734101



**Bryan Paul Caisse (CRD #2183083)**  
 New York, New York  
 (May 23, 2014)  
 FINRA Case #2014039898201/FPI140005

**Eric N. Clay (CRD #5856521)**  
 North Little Rock, Arkansas  
 (May 15, 2014)  
 FINRA Case #2013039062701

**Eugene Lovelle Cook (CRD #2801173)**  
 Houston, Texas  
 (May 5, 2014)  
 FINRA Case #2013035991601

**David Lee Ellington (CRD #2211348)**  
 West Jefferson, North Carolina  
 (May 8, 2014)  
 FINRA Case #2012035065801

**Adam Louis Goth (CRD #4520310)**  
 Saylorsburg, Pennsylvania  
 (May 8, 2014)  
 FINRA Case #2013039125701

**Mark Francis Graham II (CRD #2998648)**  
 Tampa, Florida  
 (May 27, 2014)  
 FINRA Case #2013037992501

**Anna Khatchatrian Khai (CRD #4823670)**  
 Glendale, California  
 (May 19, 2014)  
 FINRA Case #2014039693001

**Jomar Noe Lizardo (CRD #6186588)**  
 Daytona Beach, Florida  
 (May 15, 2014)  
 FINRA Case #2014040285001

**Tracey A. McShane (CRD #5276406)**  
 East Fallowfield, Pennsylvania  
 (May 29, 2014)  
 FINRA Case #2014040405401

**Christina Cruz Merren (CRD #6199117)**  
 Lynwood, California  
 (May 30, 2014)  
 FINRA Case #2014040463701

**David Montanez (CRD #6128814)**  
 Napa, California  
 (May 9, 2014)  
 FINRA Case #2013035870201

**Xashary Backtash Pimentel  
 (CRD #6047651)**  
 Palisades Park, New Jersey  
 (May 12, 2014)  
 FINRA Case #2014040185201

**Michael Nicholas Romano (CRD #2357611)**  
 Commack, New York  
 (May 7, 2014)  
 FINRA Case #2014040111901/FPI140003

**Henry Dennis Smiley (CRD #4242074)**  
 Rogers, Arkansas  
 (May 23, 2014)  
 FINRA Case #2014040593701

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**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.)

**Anthony Ottimo Sr. (CRD #2974369)**  
 Plainview, New York  
 (May 2, 2014)  
 FINRA Arbitration Case #11-04494

## **FINRA Fines Morgan Stanley Smith Barney LLC \$5,000,000 for Supervisory Failures Related to Sales of Shares in 83 Initial Public Offerings to Retail Customers**

The Financial Industry Regulatory Authority (FINRA) fined [Morgan Stanley Smith Barney LLC](#) \$5,000,000 for supervisory failures related to the solicitation of retail customers to invest in IPOs. From February 16, 2012, to May 1, 2013, Morgan Stanley Smith Barney sold shares to retail customers in 83 IPOs, including Facebook and Yelp, without having adequate procedures and training to ensure that its sales staff distinguished between “indications of interest” and “conditional offers” in its solicitations of potential investors.

Firms may solicit non-binding indications of customer interest in an IPO prior to the effective date of the registration statement. An “indication of interest” will only result in the purchase of shares if it is reconfirmed by the investor after the registration statement is effective. Brokerage firms are also permitted to solicit “conditional offers to buy,” which may result in a binding transaction after effectiveness of the registration statement if the investor does not act to revoke the conditional offer before the firm accepts it.

On February 16, 2012, Morgan Stanley Smith Barney adopted a policy that used the terms “indications of interest” and “conditional offers” interchangeably, without proper regard for whether retail interest reconfirmation was required prior to execution. The firm did not offer any training or other materials to its financial advisers to clarify the policy and, as a result, sales staff and customers may not have properly understood what type of commitment was being solicited. FINRA also found that Morgan Stanley Smith Barney failed to adequately monitor compliance with its policy and did not have procedures in place to ensure that conditional offers were being properly solicited consistent with the requirements of the federal securities laws and FINRA rules.

Brad Bennett, FINRA Executive Vice President and Chief of Enforcement, said, “Customers must understand when they are entering a contract to buy shares in an IPO. This starts with the firm’s duty to establish clear procedural guidelines for soliciting conditional offers to buy and to educate its sales force regarding this type of solicitation. There must not be ambiguity regarding the customer’s obligations given the significant legal differences between an indication of interest and a conditional offer to buy.”

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