



Glynnis Kirchmeier
Senior Paralegal | Member Supervision | FINRA
Statutory Disqualification
Tel. No.: 617-532-3453
Fax No.: 202-689-3330
Glynnis.Kirchmeier@finra.org

April 26, 2021

Via Electronic Mail

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: SD-2291 - In the Matter of the Association of Richard Reis (CRD No. 373775) with CINCaP Investment Group, Inc. (CRD No. 118392)

Dear Ms. Countryman:

Effective April 26, 2021, the Financial Industry Regulatory Authority (“FINRA”) hereby provides notification, by letter, to the United States Securities and Exchange Commission (“SEC” or “Commission”) of the association of Richard Reis (“Reis”) with CINCaP Investment Group, Inc. (“CINCaP” or “Firm”) as a General Securities Representative and Municipal Securities Representative pursuant to Securities Exchange Act of 1934 (“SEA” or “Exchange Act”) Rule 19h-1(a)(4) (“Rule 19h-1”). The Firm filed a Membership Continuance Application (“MC-400” or the “Application”) with FINRA’s Department of Credentialing, Registration, Education and Disclosure (“CRED”) seeking to permit Reis’ association with the Firm on January 15, 2021.¹

I. The Statutory Disqualifying Event

Reis is subject to a statutory disqualification, as that term is defined by Exchange Act Section 3(a)(39)(F), which incorporates by reference Section 15(b)(4)(E), as a result of a September 30, 1999 SEC Order (“SEC Order”) finding that Reis failed reasonably to supervise an individual with a view to preventing violations of federal securities laws.² Specifically, between 1990 and August 1996, Reis was responsible for the day-to-day supervision of a registered representative who engaged in a scheme to defraud six customers by, among other acts, misrepresenting to customers that he would use their funds to purchase, sell, or safekeep municipal bearer bonds, which he then

¹ See the MC-400 Application and related documents filed by CINCaP on behalf of Richard Reis, with a cover memorandum dated January 26, 2021, attached as Exhibit 1 (attached as Exhibit 1).

² See SEC Order, *In re Seasongood & Mayer and Richard D. Reis*, Admin. Proc. File No. 3-10060 (Sept. 30, 1999), (attached as Exhibit 2).

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misappropriated.³ The registered representative under Reis' supervision perpetuated and concealed his fraud by, among other things, opening accounts at the firm which he used to trade and sell misappropriated bearer bonds, changing addresses on customer accounts in order to intercept documents that would have exposed his fraud, and creating false documentation using materials obtained from the firm's back office.⁴ The registered representative was found to have willfully violated Sections 17(a) of the Securities Act of 1933 and Section 10(b) of the SEA and Rule 10b-5 thereunder.⁵ The Commission found that Reis failed reasonably to supervise the representative with a view to preventing his violations by failing to train the registered representative, oversee his day-to-day activities, review his customer accounts, and by ignoring or failing to recognize red flags related to the representative's misconduct.⁶

As a result of these findings, the Commission suspended Reis in all capacities for six months, barred him from association in a supervisory capacity with a right to reapply after two years, and ordered him to pay a civil penalty of \$20,000.⁷

II. **Background Information**

A. Reis

1. Proposed Duties and Responsibilities

CINCaP proposes that Reis will work from the Firm's home office location at 455 Delta Ave, Suite 207, Cincinnati, OH 45226.⁸ The Firm proposes that Reis will work as a registered representative⁹ dealing with institutional, wholesale, and retail customers, without any supervisory or management duties.¹⁰ The Firm represents that Reis only participates in equity trading activities for his own

³ *Id.* at p. 2.

⁴ *Id.*

⁵ *Id.*

⁶ *Id.* at p. 3.

⁷ *Id.* at p. 5. Reis paid the civil penalty in full on October 12, 1999. *See* Correspondence between FINRA and SEC staff regarding the penalty payment, (attached as Exhibit 3).

⁸ *See* Exhibit 1 at p. FINRA00057.

⁹ On January 15, 2021, CINCaP filed a Uniform Application for Securities Industry Registration or Transfer ("Form U-4") to associate Reis as a Registered Representative and a Municipal Securities Representative. *See* Form U-4 for Reis dated January 15, 2021 at p. 2, (attached as Exhibit 4).

¹⁰ *See* Exhibit 1 at p. FINRA00057.

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accounts.¹¹ He will be compensated as a “commissioned employee based on sales and trading revenue.”¹²

2. Registration and Employment History

Reis first registered in the securities industry as a Registered Representative (Series 1) in June 1970.¹³ He passed the Registered Principal Examination (Series 40) in March 1978 and the Uniform Securities Agent State Law Examination (Series 63) in December 2008.¹⁴

Reis has been associated with the following firms during the following periods:¹⁵

<u>Firm</u>	<u>Period of Employment</u>
CINCaP Investment Group, Inc.	January 2021 – Present
Ross, Sinclaire & Associates	June 2007 – June 2020
Seasongood & Mayer	June 1969 – June 2007

3. Disciplinary and Regulatory History

Other than the underlying disqualifying event, Member Regulation is not aware of any disciplinary or regulatory proceedings, customer complaints, or arbitrations filed against Reis.

4. Ownership Interest and Personal Loan to Firm Owner

CINCaP states in its MC-400 Application that Reis has an indirect ownership interest in the Firm, through his 1% indirect ownership of CINCaP Investment Group, Inc.¹⁶

On May 28, 2020, Reis entered into a person loan agreement with Richard Hartke (“Hartke”) (CRD No. 4985368), his stepson and a 9.5% indirect owner of the Firm.¹⁷ Reis lent \$40,000 to Hartke

¹¹ See Firm Correspondence to FINRA Staff, dated April 8, 2021 at Response 2, (attached as Exhibit 5).

¹² See Exhibit 1 at p. FINRA00057.

¹³ See Central Registration Depository (“CRD”) Snapshot for Richard Reis at p. 6, (attached as Exhibit 6).

¹⁴ *Id.* Reis also received credit for the Securities Industry Essentials Examination on October 1, 2018.

¹⁵ See Exhibit 6 at pp. 3-4. FINRA approved Reis to associate as a Municipal Securities Representative with his previous employers.

¹⁶ See Exhibit 1 at pp. FINRA00057 and FINRA00060.

¹⁷ *Id.* at p. FINRA00060 and the original Promissory Note at p. FINRA00071.

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and extended the repayment to January 21, 2022.¹⁸ The Firm represents that Hartke will never serve in a supervisory capacity for Reis.¹⁹

5. Prior SEA Rule 19h-1 Notices

Reis has no previous approvals or denials pursuant to Exchange Act Rules 19h-1 or 19d-1, nor have any MC-400 applications been previously required.²⁰

B. The Firm

CINCaP is headquartered in Cincinnati, Ohio.²¹ The Firm has been a FINRA member since November 2020, is a member of the Municipal Securities Rulemaking Board, and is not a member of any other self-regulatory organizations.²²

The Firm has one Office of Supervisory Jurisdiction and two branch offices.²³ The Firm employs five registered representatives and ten registered principals.²⁴ The Firm does not employ any other statutorily disqualified individual.²⁵

III. Proposed Supervision

A. Primary Supervisor – Larry Nelson Taul, Jr. (CRD No. 2166909)

¹⁸ See Firm Correspondence to FINRA Staff dated March 15, 2021 at Response 4, (attached as Exhibit 7).

¹⁹ *Id.* at Response 6.

²⁰ Pursuant to FINRA Regulatory Notice 09-19, an application is required for a person seeking to continue in the industry with an existing violation of Exchange Act Section 15(b)(4)(E) if the sanction is still in effect and upon a triggering event. A triggering event is defined as a change of employer or if the member makes an application for the registration of the person as a principal pursuant to FINRA Rules. Reis's supervisory bar is still in effect and he changed employers to CINCaP. Therefore, an MC-400 Application is required for Reis to continue in the industry with new employer CINCaP; however, was not previously required while he continued to be employed with Ross, Sinclair & Associates. See also FINRA Regulatory Notice 09-19, *Amendments to FINRA Rule 9520 Series to Establish Procedures Applicable to Firms and Associated Persons Subject to Certain Statutory Disqualifications* (April 2009), available at <https://www.finra.org/rules-guidance/notices/09-19>.

²¹ See Exhibit 1 at p. FINRA00057.

²² *Id.* at p. FINRA00059.

²³ FINRA confirmed this through an analysis of the Firm's information contained in CRD, last performed on April 21, 2021.

²⁴ *Id.*

²⁵ *Id.* See also Exhibit 1 at p. FINRA00059.

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Reis will be supervised by Larry Nelson Taul, Jr. (“Taul”), the Chief Executive Officer and an indirect owner of the Firm.²⁶ Taul works from the Firm’s home office location at 455 Delta Ave, Suite 207, Cincinnati, OH 45225, where he will sit in close proximity to Reis and monitor Reis’ daily activities and every trade.²⁷ Taul supervises 12 registered representatives for the Firm.²⁸ The Firm represents that Taul and Reis are not related by blood or marriage.²⁹

1. Registration and Employment History

In September 1991, Taul entered the securities industry by passing the Municipal Securities Representative Examination (Series 52).³⁰ He qualified as a General Securities Representative (Series 7) in June 1998.³¹ He passed the Uniform Securities Agent State Law Examination (Series 63) in February 1992, the Municipal Securities Principal Examination (Series 53) in November 2003, and qualified as a General Securities Principal (Series 24) in December 2007.³²

Taul has been associated with the following firms during the following periods:³³

<u>Firm</u>	<u>Period of Employment</u>
CINCaP Investment Group, Inc.	November 2020 – Present
Ross, Sinclair & Associates, LLC	July 1991 – June 2020

2. Disciplinary and Regulatory History

Member Regulation is not aware of any disciplinary or regulatory proceedings, or customer complaints or reportable arbitrations against Taul.

²⁶ See Exhibit 1 at p. FINRA00058.

²⁷ See CRD Snapshot for Taul at p. 3, (attached as Exhibit 8). See also Exhibit 7 at Response 3.

²⁸ See Exhibit 1 at p. FINRA00059 and Exhibit 7 at Response 3.

²⁹ See Exhibit 5 at Response 3.

³⁰ See Exhibit 8 at pp. 8-9.

³¹ *Id.*

³² *Id.* Taul also received credit for the Securities Industry Essentials Examination on October 1, 2018.

³³ See Exhibit 8 at pp. 4-6.

3. Outside Business Activities (“OBA”)

According to CRD, Taul reports one OBA as a passive investor with a non-securities related company called Prescription Drug Advocates from 2014 to the present.³⁴ He has no duties and spends no time during the week on this entity.³⁵

B. Alternate Supervisor – Mary Therese Holten (CRD No. 1565861)

In the event that Taul is out of the office, the Firm proposes that Mary Therese Holten (“Holten”) will act as Reis’ supervisor.³⁶ Holten works in the same office as Reis at 455 Delta Ave, Suite 207, Cincinnati, OH, 45226.³⁷ The Firm represents that Holten will sit in close proximity to Reis and would be available throughout the entire day to supervise him.³⁸ The Firm represents that Holten is an experienced municipal principal and in her work experience previous to CINCaP, she served as the primary municipal principal for municipal underwriting and municipal advisory services, including reviewing and approving transactions.³⁹ The Firm has also provided an attestation that Mr. Reis will not perform any non-municipal trading activities while being supervised by Ms. Holten.⁴⁰ CINCaP represents that Holten and Reis are not related by blood or marriage.⁴¹

1. Registration and Employment History

In February 2001, Holten entered the securities industry as a General Securities Representative (Series 7) and passed the Uniform Combined State Law Examination (Series 66) in June 2001.⁴² She qualified as a Municipal Securities Principal (Series 53) in July 2017 and passed the Municipal Advisor Representative Examination (Series 50) in May 2019.⁴³

³⁴ *Id.* at p. 8.

³⁵ *Id.*

³⁶ See Firm Correspondence to FINRA Staff, dated March 18, 2021 at Response 1, (attached as Exhibit 9).

³⁷ See CRD Snapshot for Mary Therese Holten at p. 3, (attached as Exhibit 10).

³⁸ See Exhibit 5 at Response 1.

³⁹ *Id.*

⁴⁰ *Id.* at Response 2.

⁴¹ *Id.* at Response 3.

⁴² See Exhibit 10 at pp. 10-11.

⁴³ *Id.* Holten also received credit for the Securities Industry Essentials Examination on October 1, 2018.

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Holten has been associated with the following firms during the following periods:⁴⁴

<u>Firm</u>	<u>Period of Employment</u>
CINCaP Investment Group, Inc.	November 2020 – Present
Ross, Sinclair & Associates, LLC	March 2009 – June 2020
RBC Capital Markets Corporation	March 2008 – June 2008
Morgan Stanley & Co., Inc.	July 2007 – February 2008
UBS Financial Services Inc.	February 2007 – July 2007
McDonald Investments Inc.	August 1999 – February 2007

2. Disciplinary and Regulatory History

Member Regulation is not aware of any disciplinary or regulatory proceedings, customer complaints, or arbitrations filed against Holten.

III. Discussion

After carefully reviewing the entire record in this matter, FINRA has determined to allow the continued association of Reis with CINCaP as a General Securities Representative and Municipal Securities Representative pursuant to an exception from the notice requirements provided in paragraph (a)(3)(iv) of SEA Rule 19h-1.

SEA Rule 19h-1(a)(3)(iv) reads, in part:

A notice need not be filed with the Commission pursuant to this rule if

...

- A. The disqualification previously – (A) was a basis for the institution of an administrative proceeding pursuant to a provision of the federal securities laws, and (B) was considered by the Commission in determining a sanction against such person in the proceeding; and the Commission concluded in such proceeding that it would not restrict or limit the future securities activities of such person in the capacity now proposed or, if it imposed any such restrictions or

⁴⁴ See Exhibit 10 at pp. 3-6.

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limitations for a specified time period, such time period has elapsed[.]

FINRA has determined that the Firm's Application meets all applicable conditions of this rule. Reis' disqualification was previously the basis for the institution of an administrative proceeding pursuant to federal securities laws, namely the SEC Order. He was not restricted from associating in the capacity now being proposed by CINCaP, a General Securities Representative and Municipal Securities Representative. The SEC Order prohibited Reis from acting in all capacities for six months, which has lapsed, and from acting in a supervisory capacity for two years after the end of the all capacity suspension, with the right to reapply to act in a supervisory capacity, which Reis has not applied to do. CINCaP represents that Reis will not be working in the prohibited capacity (i.e., he will not work in a supervisory capacity).⁴⁵ The Department also acknowledges that Reis paid the ordered civil penalty promptly as well as the age of the SEC Order and underlying misconduct.

FINRA knows of no other conduct or other circumstances that would cause Reis' association with the Firm to be inconsistent with the public interest or the protection of investors. FINRA therefore believes that this form of notification, by letter, pursuant to SEA Rule 19h-1(a)(4), to the Commission is appropriate.

Sincerely,

/s/Glynnis Kirchmeier

Glynnis Kirchmeier
Senior Paralegal, Statutory Disqualification
FINRA

Attachments

cc: Fred Overbeck, COO and CCO (Via E-mail with attachments)
CINCaP Investment Group, Inc.

Devin Ryan (Via E-mail with attachments)
Office of Chief Counsel
Division of Trading and Markets
U.S. Securities and Exchange Commission

⁴⁵ See Exhibit 1 at p. FINRA00057.

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Edward Schellhorn (Via E-mail with attachments)
Office of Chief Counsel
Division of Trading and Markets
U.S. Securities and Exchange Commission

Kristen T. Lever (Via E-mail with attachments)
Office of Compliance Inspections
U.S. Securities and Exchange Commission

Holly Smith (Via E-mail with attachments)
Office of Chief Counsel
Division of Trading and Markets
U.S. Securities and Exchange Commission

Patricia Delk-Mercer (Via Electronic Mail)
Senior Director and Counsel
Statutory Disqualification
Member Supervision
FINRA

Scott Gilbert (Via Electronic Mail)
Vice President, Firm Group Risk Monitoring
Member Supervision
FINRA

Bill Bidell (Via Electronic Mail)
Director, Risk Monitoring
FINRA

Edward Rumph (Via Electronic Mail)
Principal Analyst, Risk Monitoring
FINRA

Christopher Dragos (Via Electronic Mail)
Director
Credentialing, Registration, Education and Disclosure (CRED)
FINRA

Paula Jackson (Via Electronic Mail)
Senior Paralegal, Appellate
Office of General Counsel
FINRA

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Exhibits

SD-2291

1. MC-400 Application and related documents filed by CINCaP on behalf of Richard Reis, with a cover memorandum dated January 26, 2021.
2. SEC Order, *In re Seasongood & Mayer and Richard D. Reis*, Admin. Proc. File No. 3-10060, (Sept. 30, 1999).
3. Correspondence between FINRA and SEC Staff Regarding the Penalty Payment.
4. Form U-4 for Reis, dated January 15, 2021.
5. Firm Correspondence to FINRA Staff, dated April 8, 2021.
6. Central Registration Depository (“CRD”) Snapshot for Richard Reis.
7. Firm Correspondence to FINRA Staff, dated March 15, 2021.
8. CRD Snapshot for Larry Nelson Taul, Jr.
9. Firm Correspondence to FINRA Staff, dated March 18, 2021.
10. CRD Snapshot for Mary Therese Holten.