FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement, Complainant, v. Dennis Allen Hayes (CRD No. 4403550), Respondent.	DISCIPLINARY PROCEEDING No. 2016050883001

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Between March 2010 and June 2016 (the "Selling Away Period"), while he was associated with Newbridge Securities Corporation (BD No. 104065) ("Newbridge" or the "Firm"), Respondent Dennis Allen Hayes ("Hayes") recommended that nine investors, eight of whom were Firm customers, invest a total of $2.7 million in five companies, and facilitated those investments. Hayes did not provide any written or any other notification to the Firm regarding his participation in these private securities transactions. The investors suffered losses of at least $2.3 million, after one of the companies filed for bankruptcy and the other companies ceased operations. By this conduct, Hayes violated NASD Conduct Rule 3040 (for conduct until September 20, 2015), FINRA Rule 3280 (for conduct beginning September 21, 2015) and FINRA Rule 2010.

2. In addition, from June 2011 through June 2016, Hayes used two personal email addresses to correspond with four customers about their Firm accounts. Hayes also

communicated via text message with one Firm customer about her Firm account between November 2015 and June 2016. Hayes did not provide these communications to the Firm. Therefore, the Firm could not review or retain this securities-related correspondence. By virtue of this misconduct, Hayes violated NASD Rule 3110(a) and FINRA Rule 2010 (for conduct until December 4, 2011) and violated FINRA Rules 4511 and 2010 (for conduct between December 5, 2011 and June 2016).

3. In addition, between April 2017 and January 2018, Hayes failed to provide information and documents in response to two requests FINRA made pursuant to FINRA Rule 8210. As a result, Hayes violated FINRA Rules 8210 and 2010.

RESPONDENT AND JURISDICTION

4. Hayes entered the securities industry in May 2001. From May 2001 through February 2010, Hayes was associated with six FINRA member firms.

5. From February 2010 through September 2016, Hayes was registered with FINRA as a General Securities Representative ("GSR") and an Investment Company and Variable Contracts Products Representative ("IR") through an association with the Firm. According to the Uniform Termination Notice for Securities Industry Registration ("Form U5") filed by the Firm on September 16, 2016, Hayes was permitted to resign on September 8, 2016 for two reasons, "first, the Firm has an open internal review regarding a customer complaint that evolved into a[n] arbitration for possible selling away and private securities transactions [and] second [Hayes] had little or no production in the last 12 months".

6. Hayes was registered with FINRA as a GSR and IR through an association with another firm ("Subsequent Firm") in April 2017. According to the Form U5 filed by the Subsequent Firm on April 27, 2017, Hayes voluntarily resigned on April 26, 2017. Since

resigning from the Subsequent Firm, Hayes has not been registered with FINRA or associated with any FINRA member firm.

7. Although Hayes is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years after the effective date of termination of Hayes' registration with the Subsequent Firm, namely, April 27, 2017; and (2) the Complaint charges him with misconduct committed while he was registered with a FINRA member and with failing to respond to FINRA requests for information during the two-year period after the date upon which he ceased to be registered or associated with a FINRA member.

FACTUAL ALLEGATIONS

Facts common to all customers

8. Upon Hayes' recommendation and with Hayes' assistance, involvement and participation, nine investors purchased securities issued by five privately-held companies (one of which executed a Share Exchange Agreement in January 2013 with a publically-traded penny stock company) without Hayes' member firm employer's knowledge. Eight of the investors were customers of the Firm. The other was a customer of another FINRA-regulated broker-dealer.

9. The securities Hayes sold were promissory notes issued by MSLLC and IRLLC, common stock and promissory notes of BTInc, common stock and promissory notes of KIInc (a successor of BTInc) and common stock of FXInc.

10. The principal of the five companies was a friend of Hayes' family.

11. Hayes obtained approximately $130,000 from some of the companies, or their affiliate, in a six month period in 2012.

12. Specifically, IRLLC paid Hayes at least $64,882, MSLLC paid Hayes at least $10,000 and a company affiliated with both IRLLC and KIInc paid Hayes at least $54,400.

13. Hayes personally invested in BInc, KIInc, MSLLC and IRLLC between approximately 2009 and 2016.

14. In or about 2010, BTInc employed Hayes to perform accounting work.

15. MSLLC is no longer in operation.

16. IRLLC is no longer in operation.

17. KIInc filed for bankruptcy in 2013 and is no longer in operation.

18. FXInc is no longer in operation.

19. Hayes used personal email addresses that he had not disclosed to the Firm to communicate with the investors about the outside investments.

Hayes Recommended that Customer TA Invest in MSLLC, IRLLC, KIInc and FXInc

20. During the Selling Away Period, Hayes recommended that Firm customer TA make nine investments totaling $496,261.

21. Following Hayes' recommendations, TA invested in MSLLC, IRLLC and KIInc promissory notes, as well as KIInc and FXInc common stock.

22. Specifically, TA invested: (1) $224,473 in MSLLC during March 2010, February 2013 and March 2013; (2) $121,288 in IRLLC during July 2011; (3) $150,000 in KIInc during July 2012 and May 2013; and (4) $500 in FXInc during February 2014.

23. Hayes provided TA with instructions for completing the FXInc subscription agreement.

24. In addition, Hayes facilitated TA's $50,000 investment in KIInc by preparing a 2012 check for TA's signature.

25. Hayes also prepared a 2013 subscription agreement for TA's KIInc promissory note investment.

26. Further, Hayes participated in TA's transactions by receiving certain quarterly statements from MSLLC for TA at Hayes' personal email address.

27. Hayes drafted a letter for TA to send to MSLLC in 2015 to request the redemption of his MSLLC investments.

28. Hayes also received correspondence from IRLLC about TA's investment.

29. Hayes did not provide any notification to the Firm of his participation in any of the private securities investments he recommended to TA.

30. TA suffered losses of at least $150,500.

Hayes Recommended that Customers JB and CK Invest in MSLLC, BTInc, KIInc and FXInc

31. During the Selling Away Period, Hayes recommended that entities controlled by Firm customers JB and CK, a married couple, make ten investments totaling $769,349.

32. Following Hayes' recommendations, JC and CK invested in promissory notes issued by MSLLC, in the common stock of BTInc, in the common stock and in a promissory note issued by KIInc, and in the common stock of FXInc.

33. Specifically, JB caused an entity that he controlled to invest a total of $317,099 in MSLLC during January 2012, August 2012, January 2013 and June 2013; CK caused an entity that she controlled to invest a total of $300,000 in BTInc during January or February 2012; JB and CK also caused an entity that they jointly controlled to invest a total of $150,000 in KIInc during February 2013 and May 2013 and a total of $2,250 in FXInc during February 2014.

34. Hayes received certain quarterly statements from MSLLC for one of JB's entities at Hayes' personal email address.

35. In addition, Hayes received email correspondence at Hayes' personal email address from MSLLC confirming three of the four investments by the JB-controlled entity.

36. Hayes also received email correspondence at Hayes' personal email address from BTInc confirming the investment by the CK-controlled entity.

37. Hayes facilitated one of the investments in MSLLC by providing JB with instructions to complete and submit a 2012 check to invest $100,000.

38. Hayes facilitated another investment in MSLLC by the JB-controlled entity by recommending the investment duration for the $50,000 investment.

39. Hayes facilitated the BTInc investment by providing JB with contact information and wiring instructions for the investment.

40. Hayes facilitated the investments in KIInc by providing JB with the offering documents and instructions on the completion and submission of the subscription documents.

41. Additionally, Hayes facilitated the investments in KIInc by providing JB with instructions to complete the 2013 checks to invest a total of $150,000.

42. Hayes also sent JB a copy of the KIInc promissory note.

43. Hayes facilitated the investments in FXInc by completing some of the subscription documents for JB.

44. Hayes drafted a letter for JB to send to MSLLC in 2015 to request the redemption of his entity's MSLLC investments.

45. Hayes emailed JB several updates on the status of the redemption of his entity's MSLLC investments between December 2015 and June 2016.

46. Hayes also instructed JB to fax FXInc investment documents to Hayes so that Hayes could submit them to FXInc.

47. Hayes did not provide any notification to the Firm of his participation in any of the private securities investments he recommended to JB and CK.

48. JB and CK, through the entities that they controlled, suffered losses totaling approximately $770,000.

Hayes Recommended that Customers SB and DB Invest in BTInc, KIInc and MSLLC

49. During the Selling Away Period, Hayes recommended that Firm customers SB and DB, a married couple, make four investments totaling $350,000.

50. Following Hayes' recommendations, SB and DB invested in the common stock of BTInc, in the common stock of and in a promissory note issued by KIInc, and in a promissory note issued by MSLLC.

51. Specifically, SB and DB invested $100,000 in BTInc during January 2012, $150,000 in KIInc during February 2013 and May 2013 and $100,000 in MSLLC during April 2013.

52. Hayes provided SB with printed information about BTInc's product.

53. Hayes also facilitated the KIInc stock investment by providing SB with the subscription documents via email.

54. Hayes also instructed SB how to complete the subscription documents and to return them to Hayes for submission to KIInc.

55. Further, Hayes facilitated the MSLLC promissory note investment by instructing SB how to complete a 2013 check to invest $100,000.

56. Hayes also instructed SB to send the check to him for submission to MSLLC.

57. Hayes did not provide any notification to the Firm of his participation in any of the private securities investments he recommended to SB and DB.

58. SB and DB suffered losses of approximately $350,000.

Hayes Recommended that Customer EH Invest in BTInc, MSLLC, KIInc and IRLLC

59. During the Selling Away Period, Hayes recommended that Firm customer EH make six investments totaling $568,012.

60. Following Hayes' recommendations, EH invested in a promissory note issued by BTInc, in a promissory note issued by MSLLC, in the common stock of and a promissory note issued by KIInc and in two promissory notes issued by IRLLC.

61. EH was a Firm customer when Hayes recommended the investments in KIInc and IRLLC to her.

62. Specifically, EH invested $25,000 in BTInc during March 2010, $50,000 in MSLLC during April 2013, $300,000 in KIInc during June 2013 and $193,012 in IRLLC during October 2014.

63. Hayes facilitated the KIInc investments by providing EH with the KIInc term sheet and preparing the KIInc subscription agreement for her to sign.

64. Further, Hayes facilitated one of the IRLLC investments because he designated himself to an outside institution as an interested party for EH's IRA that held one of her IRLLC notes.

65. Hayes did not notify his Firm that he was an interested party for a customer's IRA at an outside institution.

66. IRLLC also sent Hayes copies of EH's executed IRLLC notes.

67. Hayes did not provide any notification to the Firm of his participation in any of the private securities investments he recommended to EH.

68. EH suffered losses of approximately $568,000.

Hayes Recommended that Customer RT Invest in MSLLC

69. During the Selling Away Period, Hayes recommended that Firm customer RT make an investment of $50,000.

70. Following Hayes' recommendation, RT invested $50,000 in an MSLLC promissory note during March 2014.

71. Hayes facilitated the investment by instructing RT to open a self-directed IRA at an outside institution and to transfer funds from RT's Firm IRA to the self-directed IRA.

72. The transfer of funds concealed from the Firm that its customer RT was investing in MSLLC.

73. Hayes signed a release provided by the outside institution that permitted him to act as a representative for RT's self-directed IRA.

74. Hayes never notified his Firm that he was acting as RT's representative at an outside institution.

75. Hayes did not provide any notification to the Firm of his participation in the private securities investment he recommended to RT.

76. RT suffered losses of approximately $50,000.

Hayes Recommended that Customer EW Invest in MSLLC and KIInc

77. During the Selling Away Period, Hayes recommended that Firm customer EW make four investments totaling $400,000.

78. Following Hayes' recommendation, EW invested in promissory notes issued by MSLLC and in a promissory note issued by KIInc.

79. Specifically, EW invested $300,000 in MSLLC during January 2013 and June 2013 and $100,000 in KIInc during May 2013.

80. Hayes helped EW open a self-directed IRA at an outside institution and instructed her to make one of her MSLLC investments through that IRA.

81. The transfer of funds concealed from the Firm that its customer EW was investing in MSLLC.

82. Hayes provided EW with updates on the status of the redemption of her MSLLC investments between March 2016 and June 2016.

83. Hayes did not provide any notification to the Firm of his participation in any of the private securities investments he recommended to EW.

84. EW suffered losses of approximately $400,000.

Hayes Recommended that Investor CO Invest in BTInc and FXInc

85. During the Selling Away Period, Hayes recommended that CO, an investor that did not hold an account at the Firm, make two investments totaling $100,490.

86. Following Hayes' recommendations, CO invested $100,000 in a promissory note issued by BTInc during April 2010 and $490 in common stock of FXInc during March 2014. CO was 66 years old at the time of her FXInc investment.

87. CO held an account at another FINRA-regulated broker-dealer firm and Hayes had told her registered representative from that firm about BTInc. Hayes and that registered representative together recommended the BTInc investment to CO. Hayes arranged for CO to

tour the BTInc plant and he and the other registered representative accompanied her on the tour in March 2010.

88. Hayes told CO about the FXInc investment opportunity. Additionally, in January 2014, Hayes told CO that he expected an investment bank to provide millions of dollars to FXInc in the next few weeks.

89. Hayes facilitated CO's BTInc investment by suggesting that she open a self-directed IRA at an outside institution from which she could make the BTInc investment.

90. Hayes helped CO complete the application form for the self-directed IRA.

91. BTInc emailed CO's executed promissory note to Hayes at Hayes' personal email address.

92. Further, Hayes provided CO with updates about the FXInc investment opportunity and about Hayes' purported communications with FXInc's CEO.

93. In addition, CO emailed Hayes questions about the FXInc stock agreement. Hayes responded to one of the questions and instructed CO to copy him on her correspondence with FXInc.

94. Hayes did not provide any notification to the Firm of his participation in either of the private securities investments he recommended to CO.

95. CO suffered losses of approximately $100,000.

Hayes Submitted False Compliance Questionnaires to the Firm

96. During the Selling Away Period, the Firm's written supervisory procedures ("WSPs") prohibited registered representatives from engaging in private securities transactions.

Hayes certified that he had reviewed and understood the Firm's WSPs annually between 2010 and 2015.

97. During the Selling Away Period, the Firm periodically required registered representatives to complete compliance questionnaires. On four occasions during the Selling Away Period, November 22, 2010, November 26, 2012, November 23, 2013 and July 11, 2014, Hayes completed compliance questionnaires and stated that he had not participated in private securities transactions during the preceding year.

Hayes Used Personal Email Addresses and Text Messages to Communicate with JB, SB, RT and EW about their Firm Accounts

98. Between June 2011 and June 2016, Hayes used two personal email addresses to send dozens of emails to and receive dozens of emails from Firm customers JB, SB, RT and EW concerning the securities holdings and transactions in their Firm accounts.

99. Between November 2015 and June 2016, Hayes also sent and received two dozen text messages with Firm customer EW concerning the securities holdings and transactions in her Firm accounts.

100. This electronic correspondence also included communications about the private securities transactions Hayes recommended for the customers.

101. Hayes did not provide any of this correspondence to the Firm.

102. The Firm did not have the ability to review or retain the emails Hayes sent or received using his personal email addresses.

103. The Firm also did not have the ability to review or retain the text messages that Hayes sent or received.

104. The Firm's WSPs prohibited registered representatives from accessing or transmitting electronic business communications through any system not sponsored by the Firm.

The Firm permitted registered representatives to use personal email addresses for business communications only if the registered representative disclosed the personal email address to the Firm and allowed the Firm to monitor the email address.

105. Hayes did not disclose the two personal email addresses to the Firm or permit the Firm to monitor them.

FIRST CAUSE OF ACTION
Selling Away - Private Securities Transactions
(NASD Conduct Rule 3040 and FINRA Rules 3280 and 2010)

106. The Department of Enforcement realleges and incorporates all proceeding paragraphs.

107. NASD Conduct Rule 3040 prohibited associated persons from participating in any manner in a private securities transaction outside their regular course of employment with a member firm without providing prior written notice to the member firm. NASD Conduct Rule 3040 also provided that a private securities transaction was "any securities transaction outside the regular course or scope of an associated person's employment with a member," regardless of the registered representative's receipt of compensation. NASD Rule 3040 was in effect from the beginning of the Selling Away Period until September 20, 2015.

108. FINRA Rule 3280 prohibits associated persons from participating in any manner in a private securities transaction outside their regular course of employment with a member firm without providing prior written notice to the member firm. NASD Conduct Rule 3280 also states that a private securities transaction is "any securities transaction outside the regular course or scope of an associated person's employment with a member," regardless of the registered representative's receipt of compensation. FINRA Rule 3280 became effective September 21, 2015 and has remained in effect.

109. FINRA Rule 2010 requires that members and associated persons observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

110. A violation of NASD Rule 3040 or FINRA Rule 3280 is also a violation of FINRA Rule 2010.

111. The nine investors' 36 investments in BTInc, KIInc, FXInc, MSLLC and IRLLC each constituted a private securities transaction. All of these investments were made outside the scope of Hayes' employment with the Firm.

112. Hayes did not provide the Firm with prior written notice of his proposed role in the transactions at issue.

113. By participating in 36 private securities transactions during the Selling Away Period without providing prior written notice to the Firm, Hayes violated NASD Conduct Rule 3040, FINRA Rule 3280 and FINRA Rule 2010.

SECOND CAUSE OF ACTION
Causing Firm to Fail to Preserve Books and Records
(NASD Rule 3110(a) and FINRA Rules 4511 and 2010)

114. The Department of Enforcement realleges and incorporates all proceeding paragraphs.

115. NASD Rule 3110(a) required members to make and preserve books, accounts, records, memoranda, and correspondence in conformity with all applicable laws, rules, regulations and statements of policy promulgated thereunder, and with the Rules prescribed by SEC Rule 17a-3. NASD Rule 3110(a) was effective from the beginning of the Selling Away Period until December 4, 2011.

116. FINRA Rule 4511 requires members to make and preserve books and records as required under FINRA rules, the Exchange Act and the applicable Exchange Act rules. FINRA Rule 4511 became effective on December 5, 2011 and has remained in effect.

117. Exchange Act Rule 17a-4(b)(4) requires that every broker-dealer preserve for a period of not less than three years "[o]riginals of all communications received and copies of all communications sent . . . by the member, broker or dealer (including interoffice memoranda and communications) relating to his business as such."

118. A violation of NASD Rule 3110(a), FINRA Rule 4511 or Exchange Act Rule 17a-4(b)(4) is also a violation of FINRA Rule 2010.

119. From the beginning of the Selling Away Period until December 4, 2011, while registered with the Firm, Hayes caused the Firm to violate Exchange Act Rule 17a-4, NASD Rule 3110(a) and FINRA Rule 2010 by failing to preserve at least one email message that he sent to SB from his personal email address.

120. From December 5, 2011 through the end of the Selling Away Period, while associated with the Firm, Hayes caused the Firm to violate Exchange Act Rule 17a-4 and FINRA Rules 4511 and 2010 by failing to preserve emails and/or text messages that he sent to and received from JB, SB, RT and EW using his personal email addresses and/or text messaging program.

121. As a result of the foregoing conduct, Hayes violated NASD Rule 3110(a) and FINRA Rules 4511 and 2010.

Third Cause of Action
Failure to Provide Information and Documents
(FINRA Rules 8210 and 2010)

122. The Department of Enforcement realleges and incorporates all proceeding paragraphs.

123. On April 25, 2017, FINRA staff issued a written request to Hayes pursuant to FINRA Rule 8210, requiring him to produce information and documents relating to EW's and CO's complaints about Hayes' handling of their investments in BTInc, KIInc, and MSLLC (the "First Document Request").

124. The First Document Request required Hayes to provide the information and documents to FINRA staff on or before May 12, 2017.

125. FINRA staff sent the First Document Request to Hayes via first class mail and certified mail, return receipt requested, to Hayes' address reflected in the Central Registration Depository (the "CRD Address"). FINRA staff also sent the First Request for Documents to the email address that Hayes had provided to staff.

126. The first class mailing of the First Document Request was not returned to FINRA.

127. On May 9, 2017, Hayes signed the receipt and returned the certified mail receipt for the First Document Request.

128. Hayes also acknowledged his receipt of the First Document Request on May 10, 2017 when he requested in writing an extension of the deadline for his response.

129. Hayes advised FINRA staff in the letter dated May 10, 2017 that he needed the extension because of ongoing health issues. FINRA extended Hayes' time to respond until August 18, 2017.

130. On July 6, 2017, Hayes requested by email a further extension of the deadline for his response due to his health issues. FINRA extended Hayes' time to respond until September 30, 2017.

131. On September 8, 2017, FINRA staff issued a written request to Hayes pursuant to FINRA Rule 8210, requiring him to produce information and documents related to additional customers' complaints that came to FINRA's attention after it issued the First Document Request (the "Supplemental Document Request").

132. The Supplemental Document Request required Hayes to provide the information and documents to FINRA staff on or before September 30, 2017.

133. FINRA staff sent the Supplemental Document Request to Hayes via first class mail and certified mail, return receipt requested, to Hayes' CRD Address. FINRA staff also sent the Supplemental Document Request to the email address that Hayes had provided to staff.

134. The first class mailing of the Supplemental Document Request was not returned to FINRA. The certified mailing was returned, unclaimed, to FINRA.

135. Hayes acknowledged his receipt of the Supplemental Document Request on September 22, 2017, when he requested in an email an extension of the deadline for his responses to both the First Document Request and the Supplemental Document Request due to his health issues. FINRA staff granted Hayes extensions to respond to both Requests until December 4, 2017 in an email.

136. Hayes did not respond to either the First Document Request or the Supplemental Document Request on or before December 4, 2017.

137. On December 21, 2017, FINRA staff issued a second written request to Hayes pursuant to FINRA Rule 8210 (the "Second Document Request"). The Second Document

Request referenced and attached copies of the First Document Request and the Supplemental Document Request.

138. The Second Document Request required Hayes to respond to both the First Document Request and the Supplemental Document Request on or before January 12, 2018.

139. The Second Document Request was limited to the documents and information that FINRA staff had previously requested in the First Document Request and the Supplemental Document Request.

140. FINRA staff sent the Second Document Request to Hayes via first class mail and Federal Express ("FedEx") overnight service to Hayes' CRD Address. FINRA staff also sent the Second Document Request to the email address that Hayes had provided to staff.

141. The first class mailing of the Second Document Request was not returned to FINRA.

142. FedEx delivered the FedEx mailing of the Second Document Request to the CRD Address on December 26, 2017.

143. On January 8, 2018, Hayes sent FINRA staff a letter acknowledging his receipt of the Second Document Request. In his letter, Hayes stated that he would not respond to the Second Document Request at that time and asserted that he had ongoing health issues.

144. Hayes did not respond to the First Document Request, the Supplemental Document Request, or the Second Document Request on or before January 12, 2018.

145. To date, Hayes has not provided any documents or information in response to these requests.

146. As a result of the foregoing conduct, Hayes violated FINRA Rules 8210 and 2010.

RELIEF REQUESTED

WHEREFORE, the Department of Enforcement respectfully requests that the Panel:

A. make findings of fact and conclusions of law that Respondent committed the violations charged and alleged herein;

B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including that Respondent be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest, be imposed; and

C. order that Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: January 11, 2019

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