

FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

JOHN CARRIS INVESTMENTS, LLC
(CRD No. 145767),
GEORGE CARRIS (CRD No. 3079577),
JOSEPH PRINCIPE (CRD No. 1537357),
ANDREY TKATCHENKO (CRD No. 2712245),
BRIAN SIMMONS (CRD No. 4349344),
JASON BARTER (CRD No. 2552583), and
RANDY HECHLER (CRD No. 2292597),

RESPONDENTS.

DISCIPLINARY PROCEEDING
NO. 2011028647101

HEARING OFFICER - MAD

NOTICE OF INITIATION OF PROCEEDING
SEEKING A TEMPORARY CEASE AND DESIST ORDER
PURSUANT TO FINRA RULE 9810

The Department of Enforcement, pursuant to FINRA Code of Procedure Rule 9810, hereby notifies Respondents John Carris Investments LLC (“John Carris Investments” or the “Firm”) and George Carris that it is initiating a proceeding seeking the issuance of a temporary cease and desist order by the Hearing Panel.

Contemporaneously with this Notice, the Department is filing and serving a complaint under Rule 9211 against Respondents relating to the subject matter of this temporary cease and desist proceeding alleging violations of the rules specified in this Notice, among other violations.

The Department is seeking this order based upon John Carris Investments’ and George Carris’s repeated and continuous violations of the following:

1. John Carris Investments willfully violated Securities Exchange Act of 1934 Section 10(b), Rule 10b-5 thereunder, which provides that “[i]t shall be unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails or of any facility of any national securities exchange, ... (b) [t]o make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading ... in connection with the purchase or sale of any security.”
2. In addition, the Firm violated FINRA Rule 2020, which provides that “[n]o member shall effect any transaction in, or induce the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device or contrivance,” and FINRA Rule 2010, which provides that “[a] member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade.”
3. George Carris, the Firm’s Chief Executive Officer, willfully aided and abetted the Firm’s willful violations of Securities Exchange Act of 1934 § 10(b), Rule 10b-5 thereunder, and FINRA Rule 2020, in violation of FINRA Rules 2020 and 2010.

Respondents John Carris Investments and George Carris have violated, and are likely to continue to violate, the above-referenced provisions by soliciting, or causing associated persons of the Firm to solicit, Firm customers to purchase securities in which John Carris Investments or its principals have an economic interest, and by failing to disclose such economic interest to the Firm customers.

As alleged in the Amended Complaint, John Carris Investments acted as a placement agent for numerous private placements involving Fibrocell Science, Inc. (“Fibrocell”). The Firm received as compensation for its work shares of Fibrocell common stock and warrants to purchase shares of Fibrocell common stock at a range of predetermined exercise prices. Over time, the Firm and its principals earned hundreds of thousands of shares of Fibrocell and warrants to purchase Fibrocell stock at a range of exercise prices.

From May 3, 2013 through May 21, 2013, George Carris sold 74,636 shares of Fibrocell common stock that he had earned in connection with the Firm’s role as a placement agent for Fibrocell, which resulted in gross sales proceeds totaling \$354,383.90. Over the same period, the Firm’s Managing Director for Investment Banking, DB, sold 73,969 shares of Fibrocell common stock, which resulted in gross sales proceeds totaling \$350,181.08.

During the same period, that George Carris and DB were selling shares of Fibrocell, John Carris Investments’ registered representatives were actively soliciting the Firm’s customers to buy Fibrocell stock. Specifically, From May 3, 2013 through May 21, 2013, George Carris and DB sold 148,605 common shares of Fibrocell stock while the Firm’s registered representatives solicited Firm customers to purchase 206,721 shares of Fibrocell. Throughout this period, the Firm and George Carris failed to disclose or to cause other Firm personnel to disclose to Firm customers who purchased Fibrocell shares that he and DB were selling their positions in the stock.

As of August 31, 2013, George Carris and other Firm principals held warrants to purchase Fibrocell common stock, at exercise prices as high as \$6.25. Particularly, George Carris held approximately 635,909 warrants to purchase shares of Fibrocell common stock, and

held over 1.2 million warrants to purchase common shares of other companies for which John Carris Investments performed investment banking services.¹

The Firm and its principals, including George Carris, have a continuing interest in selling their Fibrocell shares at the highest possible price. This interest conflicts with the Firm's customers' interest in purchasing the same stock at the lowest possible price. Withholding such material information from Firm customers violates the antifraud provisions of the securities laws and rules, and deprives the Firm's customers of the opportunity to make an informed investment decision. Continuation of the above-referenced violative conduct is likely to result in significant harm to the Firm's customers.

Therefore, in connection with this Temporary Cease and Desist proceeding, the Department of Enforcement is requesting that the Hearing Panel issue an Order immediately requiring Respondents John Carris Investments and George Carris to take or refrain from taking the following actions:

CEASE AND DESIST from violating Section 10(b) of the Securities Exchange Act of 1934, SEC Rule 10b-5 promulgated thereunder, and FINRA Rules 2020 and 2010;

CEASE AND DESIST from soliciting, or causing to be solicited by associated persons of John Carris Investments, any customer purchases of Fibrocell Science, Inc. or other securities in which John Carris Investments or its principals have functioned as an underwriter or private placement agent and have an economic interest – including holding stock, stock options and stock warrants – unless John Carris Investments fully discloses such interest, including but not limited to any actual recent, ongoing or planned sales activity of such securities;

¹ The facts underlying this Notice are more fully set forth in the accompanying supporting Declaration of William Park, Senior Director for FINRA's Case Development Team.

CEASE AND DESIST from soliciting, or causing to be solicited by associated persons of John Carris Investments, any customer purchases of other securities in which John Carris Investments or its principals have an economic interest – including holding stock, stock options and stock warrants – unless John Carris Investments fully discloses such interest.

Additionally, the Department of Enforcement requests that the Hearing Panel, exercising its authority under Rule 9840(b)(3), **ORDER** Respondents to take the following actions:

- (1) Within 10 days of this Order, Respondents will certify in writing to the Hearing Officer and the Department of Enforcement that they have (a) completed a review of John Carris Investments' written supervisory procedures and systems concerning detecting and disclosing material conflicts of interest to customers, including sales or purchases of a security by the Firm or its principals that are inconsistent with the Firm's recommendation that customers buy or sell that security; and (b) implemented necessary revisions to such procedures and systems in order to ensure that the procedures and systems are reasonably designed to ensure compliance with this Temporary Cease and Desist Order. The certification shall describe the specific actions taken, including the systems and written procedures developed and implemented. The certification shall be in the form of a sworn affidavit executed by John Carris Investments and George Carris pursuant to FINRA Rule 8210, and under penalty of perjury.

* * *

- (2) Within 10 days of this order, Respondents will (a) certify in writing to the Hearing Officer and the Department of Enforcement that they have provided written notification to all customers who were solicited by John Carris Investments to purchase Fibrocell Science, Inc. stock during May 2013 that such solicitations occurred during the same period that principals of John Carris Investments owned Fibrocell Science, Inc. stock and sold Fibrocell Science, Inc. stock; and (b) provide satisfactory proof to the Department of Enforcement that such notification was provided.

Dated: September 30, 2013

Susan Light

Susan Light, SVP and Chief Counsel
Gina Petrocelli, Director
Danielle Schanz, Senior Litigation Counsel
Kristina Juntunen, Senior Counsel
Michael Watling, Principal Counsel
FINRA Department of Enforcement
One World Financial Center
New York, New York, 10281

DECLARATION OF WILLIAM D. PARK

I, William D. Park, declare as follows:

1. I am Sr. Director of FINRA's Case Development Team. I hold a Bachelor's degree in Economics from Virginia Tech University. I have been employed with FINRA for approximately 16 years. My duties include developing investigations that involve significant, novel, and complex factual issues.
2. I make the following statements based upon my review of sworn testimony of witnesses and review of business records and other documents obtained in connection with the investigation of this matter.
3. John Carris Investments, LLC (the "Firm") is a FINRA-registered broker-dealer with its principal place of business in the city and state of New York. From November 9, 2007 to July 6, 2009, John Carris Investments was known as "Archey & Co. LLC." In or around May 2009, George Carris purchased Archey & Co. LLC and subsequently changed its name to John Carris Investments, LLC. In June 2009, George Carris incorporated Invictus Capital, and began operating John Carris Investments through Invictus Capital, Inc.'s wholly owned subsidiary, Invictus Capital, LLC. From the time of incorporation through at least April 2013, George Carris was the controlling shareholder for Invictus Capital.
4. George Carris became registered in the securities industry as a General Securities Representative on July 22, 1998. From May 2009 until the date of this Declaration, George Carris has been registered with John Carris Investments as a registered representative and as a principal. From May 2009 through the date of this Declaration, George Carris has been the Firm's Chief Executive Officer.

5. John Carris Investments conducts business as a retail broker-dealer and is permitted to effect securities transactions on a fully disclosed basis through a clearing firm. In addition, the Firm provides investment banking services, primarily for micro-cap companies.
6. Fibrocell Science, Inc. (ticker symbol FCSC) (“Fibrocell”) is a public company that traded on the Over-the-Counter Bulletin Board system from at least October 19, 2009 until at least May 17, 2013.
7. From about September 2009 through the date of this Declaration, John Carris Investments (the “Firm”) acted as a placement agent for nine Fibrocell private stock offerings. As compensation for acting as a placement agent, the Firm received sales commissions, shares of Fibrocell common stock, and warrants to purchase shares of Fibrocell common stock at a predetermined exercise price. From August 6, 2009 through June 7, 2012, the Firm received \$3,405,391 of revenue in connection with investment banking services performed for Fibrocell.
8. From May 2010 through August 2013, the Firm actively traded Fibrocell in accounts held by its customers and the Firm’s principals on both the buy- and sell-side of the market. Particularly, during the period from May 2010 through August 2013, the Firm traded Fibrocell on approximately 589 trading days; of those days, the Firm effected Fibrocell transactions on both the buy- and sell-side of the market on approximately 317 days, as recently as August 30, 2013.
9. On April 29, 2013, Fibrocell issued a press release announcing that it would implement a one-for-twenty-five reverse stock split of its common shares effective at the opening of business on April 30, 2013. In addition, Fibrocell announced that it had been cleared to

submit a listing application to the NYSE MKT. On May 17, 2013, Fibrocell became listed on the NYSE MKT, and has traded on that exchange through the date of this Declaration.

10. On May 2, 2013, George Carris owned 74,636 shares of Fibrocell stock that he received as compensation for investment banking services performed for Fibrocell, and which George Carris held in his personal account at John Carris Investments. In addition, as of May 2, 2013, another Firm principal, DB, owned 73,969 shares of Fibrocell stock that DB received compensation for investment banking services performed for Fibrocell, and which were held in DB's personal account at John Carris Investments. At the same time, George Carris and DB owned thousands of additional Fibrocell warrants at various predetermined exercise prices, including numerous warrants exercisable at a price of \$6.25.
11. From May 3, 2013 through May 21, 2013 (the "Liquidation Period"), George Carris sold 74,636 shares of Fibrocell stock. At George Carris's direction, the Firm's head trader, Jason Barter, effected sales of Fibrocell stock from George Carris's personal account on each trading day between May 3, 2013 and May 21, 2013. George Carris received proceeds from these sales totaling \$354,383.90.
12. During the Liquidation Period, DB sold 73,969 shares of Fibrocell stock. At George Carris's direction, the Firm's head trader, Jason Barter, effected sales of Fibrocell stock from DB's personal account on eleven of the thirteen trading days between May 3, 2013 and May 21, 2013. DB received proceeds from these sales totaling \$350,181.08.
13. Throughout the Liquidation Period, George Carris and DB periodically discussed and agreed upon the daily number of Fibrocell shares that they would collectively attempt to sell from their personal accounts. Thereafter, George Carris or DB directed head trader Jason Barter to

effect sales of Fibrocell stock from George Carris's and DB's accounts for the daily agreed-upon number of shares.

14. After George Carris directed head trader Jason Barter to sell a specified number of George Carris's and DB's Fibrocell shares on a given trading day, Jason Barter routed the orders to market makers to be executed.
15. During the Liquidation Period, while George Carris and DB were selling shares of Fibrocell, John Carris Investments' registered representatives were actively soliciting the Firm's customers to buy Fibrocell stock.
 - a. On each of the thirteen trading days in May 2013 that George Carris or DB sold shares of Fibrocell, John Carris Investments registered representative GH solicited Firm customers to buy Fibrocell stock. GH successfully solicited purchases of Fibrocell stock from sixteen of the Firm's customers, totaling approximately 56,000 shares.
 - b. On at least twelve of the thirteen trading days in May 2013 that George Carris or DB sold shares of Fibrocell, John Carris Investments registered representative AT solicited Firm customers to buy Fibrocell stock. AT successfully solicited purchases of Fibrocell stock from 24 of the Firm's customers, totaling approximately 72,000 shares.
 - c. On at least four of the thirteen trading days in May 2013 that George Carris or DB sold shares of Fibrocell, John Carris Investments registered representative MT solicited Firm customers to buy Fibrocell stock. MT successfully solicited purchases of Fibrocell stock from four of the Firm's customers, totaling approximately 7,400 shares.

- d. During the complete Liquidation Period, the Firm's registered representatives solicited Firm customers to buy a total of 206,721 shares of Fibrocell stock.
16. Many of George Carris's and DB's sell-side Fibrocell offers were matched with purchase orders from Firm customers that were solicited by the Firm's registered representatives.
- a. On May 3, 2013, George Carris sold 4,000 Fibrocell shares from his personal Firm account in eight trade executions. Of the total shares sold, 2,100 were matched with Firm-solicited buy orders in four trade executions.
 - b. On May 6, 2013, George Carris and DB sold 10,000 Fibrocell shares from their personal Firm accounts in eighteen trade executions. Of the total shares sold, 5,954 were matched with Firm-solicited buy orders in nine trade executions.
 - c. On May 15, 2013, George Carris and DB sold 19,915 Fibrocell shares from their personal Firm accounts in eleven trade executions. Of the total shares sold, 2,360 were matched with Firm-solicited buy orders over two trade executions.
17. During the Liquidation Period, John Carris Investments' trading activity in Fibrocell made up a substantial percentage of, and often dominated, the total market volume. During that time period:
- a. On May 3, 2013, the Firm's reported volume represented 56% of total market volume.
 - b. On May 6, 2013, the Firm's reported volume represented 50% of total market volume.
 - c. On May 7, 2013, the Firm's reported volume represented 74% of total market volume.

- d. On May 8, 2013, the Firm's reported volume represented 94% of total market volume.
- e. On May 9, 2013, the Firm's reported volume represented 76% of total market volume.
- f. On May 10, 2013, the Firm's reported volume represented 59% of total market volume.
- g. On May 13, 2013, the Firm's reported volume represented 88% of total market volume.
- h. On May 14, 2013, the Firm's reported volume represented 58% of total market volume.
- i. On May 15, 2013, the Firm's reported volume represented 71% of total market volume.
- j. On May 16, 2013, the Firm's reported volume represented 42% of total market volume.
- k. On May 17, 2013, the Firm's reported volume represented 28% of total market volume.
- l. On May 20, 2013, the Firm's reported volume represented 49% of total market volume.
- m. On May 21, 2013, the Firm's reported volume represented 37% of total market volume.

18. Overall during the Liquidation Period, when George Carris and DB were selling their Fibrocell shares, the Firm's registered representatives solicited Firm customers to purchase a greater quantity of Fibrocell shares than George Carris and DB sold. Specifically, during the

Liquidation Period, George Carris and DB sold approximately 148,605 common shares of Fibrocell stock while the Firm's registered representatives solicited Firm customers to purchase 206,721 shares of Fibrocell. Thus, during the Liquidation Period George Carris and DB benefitted from upward price pressure caused by the solicited demand. Indeed, George Carris sold his first block of Fibrocell shares on May 3, 2013 at a price of \$4.27 per share; the average price at which George Carris and DB sold Fibrocell throughout the liquidation period was \$4.74. Ninety-six percent of the shares that George Carris and DB sold were priced between \$4.60 and \$4.90.

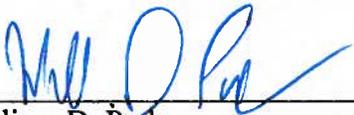
19. George Carris knew that the Firm's registered representatives were soliciting purchases of Fibrocell from Firm customers throughout the Liquidation Period. Throughout this time, George Carris failed to disclose, or to cause others to disclose, to Firm customers who purchased Fibrocell shares that he and DB were systematically liquidating their positions in the stock. George Carris did not disclose to the Firm's registered representatives, including GH, AT, and MT, that he and DB were liquidating their Fibrocell stock holdings. Further, no one else disclosed to GH, AT, and MT that George Carris and DB were liquidating their Fibrocell stock holdings. Thus, GH, AT, and MT, did not inform the Firm's customers from whom they solicited purchases of Fibrocell that George Carris and DB were contemporaneously liquidating their positions in the stock.

20. George Carris used certain proceeds from his liquidations to make capital contributions into Invictus Capital. As of April 2013, Invictus Capital's sole operating subsidiary, John Carris Investments, reported losses aggregating in the millions of dollars. In an April 2013 offering memorandum, Invictus disclosed that it had issued \$1,960,000 of Bridge Notes that had matured and not been paid, and were therefore in default and would commence accruing

interest at a rate of 11%. Invictus further disclosed that it did not have funds to repay the defaulted Bridge Notes and may be required to use net proceeds from its ongoing offering to repay the Bridge Notes; and that it had minimal available funds and was wholly reliant on raising substantial funds to continue operations, pay regulatory expenses, and possibly repay principal and other amounts related to the Bridge Notes. From April 2013 through June 2013, George Carris made capital contributions into Invictus Capital totaling \$128,000, \$58,000 of which occurred during or shortly after the Liquidation Period. Invictus's offering is ongoing.

21. As of August 31, 2013, George Carris held approximately 635,909 (pre-split) warrants to purchase shares of Fibrocell common stock, and held over 1.2 million warrants to purchase common shares of other companies for which John Carris Investments performed investment banking services. Throughout August 2013, John Carris Investments' registered representatives successfully solicited Firm customers to purchase approximately 300,000 shares of Fibrocell, with solicited buy transactions occurring as recent as August 30, 2013.

I declare under penalty of perjury that the foregoing is true and correct.



William D. Park

Dated this 30th of September, 2013