FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

Department of Enforcement, Complainant, v. Timothy Stephen Dembski, (CRD No. 2575882) and Walter Francis Grenda, Jr. (CRD No. 722911), Respondents.	Disciplinary Proceeding No. 2013036168701 Hearing Officer: CC **ORDER ACCEPTING OFFER OF SETTLEMENT** Date: February 3, 2016

INTRODUCTION

Disciplinary Proceeding No. 2013036168701 was filed on December 10, 2014 by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Timothy Stephen Dembski (Respondent) submitted an Offer of Settlement (Offer) to Complainant dated January 20, 2016. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint (as amended by the Offer of Settlement), and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of findings and violations consistent with the allegations of the Complaint (as amended by the Offer of Settlement), and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

1. Respondent first became registered with FINRA as a General Securities Representative ("GS") on June 13, 1995. He was registered in that capacity through Wall Street Financial Group ("WSFG") from October 13, 2006 through March 10, 2011. During his employment with WSFG, Dembski worked in Cheektowaga, New York. On September 2, 2011, Dembski became registered with FINRA through Mid Atlantic Capital Corporation (BD No. 10674) ("MACC") as a GS. On August 1, 2013, MACC filed a Uniform Termination Notice for Securities Industry Registration (Form U5) which stated that his termination on July 31, 2013 was voluntary. During his employment with MACC, Dembski worked in Cheektowaga, New York.

2. In or around November 2010, Respondent and Walter Francis Grenda, Jr. (Grenda) formed Reliance Financial Advisors, LLC (IARD No. 155826) ("Reliance"), an SEC-Registered Investment Advisor ("RIA"). Respondent was listed in the Uniform Application for Investment Adviser Registration (Form ADV) as Reliance's Managing Member.

3. Although Respondent 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 Respondent's registration with MACC, namely, August 1, 2013; and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows. The findings herein are pursuant to Respondent Timothy Stephen Dembski's Offer of Settlement and are not binding on any other person or entity named as a respondent in this or any other proceeding:

SUMMARY

4. Between March 1, 2012 and September 1, 2012, Respondent fraudulently induced two retail customers to invest in the Prestige Wealth Management Fund, LP ("Prestige" or the "Fund"). During this period, Respondent was registered with FINRA through an association with MACC.

5. Through misrepresentations and omissions, Respondent led investors to believe that Prestige was a "growth" fund that would be based on a computer algorithm that included risk protections and stop-losses to limit losses in the Fund. In fact, the Fund was a speculative investment. SMS, the Fund's Chief Investment Officer, had complete control over the investments that the Fund made and, contrary to what Respondent told prospective investors, the Fund was not obligated to follow the computer algorithm. In December 2012, the last full month that the Fund traded, it lost over 80% of its value.

In connection with his marketing of the Fund, Respondent gave prospective investors the Prestige Wealth Management Fund, LP Confidential Private Placement Memorandum ("PPM") that he knew contained material misrepresentations about SMS's professional experience. The

PPM stated that SMS had "co-managed a portfolio of over $500 million" and was responsible for "portfolio management and analysis" as "Vice President of Investments for a New York based investment company," all of which was materially misleading. SMS had never managed any portfolio of securities, and was never a Vice President of an investment company.

BACKGROUND

6. In or around 2009 or 2010, Respondent, Grenda, and SMS began discussing the idea of creating a hedge fund.

7. In or around 2010, Respondent and SMS consulted with a company to help them establish the Fund; sought counsel from attorneys; and hired a Fund Administrator and auditors.

8. Interactive Brokers, LLC (BD No. 36418) ("Interactive Brokers") was the Fund's custodian.

9. Respondent told customers that the Fund was supposed to be run based on a trading algorithm developed by SMS and AC, a "financial engineer."

10. The purported idea behind the Fund was to:

    a. Purchase certain large cap, high volume volatile stocks early in the trading day, and

    b. Sell (a) when the individual stock prices increased by 3% or decreased by 1%, or (b) at 3:30 p.m., if neither of the strike prices had been hit.

11. According to Respondent, SMS back-tested the formula and showed high returns.

12. The actual results of the Fund did not achieve anywhere near the returns that the back-testing purportedly demonstrated.

13. Respondent recommended the Fund to retail investors with limited investment experience, who had never invested in hedge funds before, and who used retirement assets or surrendered variable annuities in order to invest in the Fund. Many of these individuals were unaccredited investors.

14. In or about December 2012, the Fund suffered dramatic losses: the Fund lost approximately 80% of its value that month.

15. The end of the month values of the Fund from October through December 2012 were as follows:

Date	Stated Fund Value
October 31, 2012	$3,248,366.86
November 30, 2012	$3,480,916.26
December 31, 2012	$644,150.68

FRAUDULENT MISREPRESENTATIONS AND OMISSIONS (VIOLATION OF SECTION 10(b) OF THE SECURITIES EXCHANGE ACT OF 1934, RULE 10b-5 PROMULGATED THEREUNDER, AND FINRA RULES 2020 AND 2010)

16. The Department realleges and incorporates by reference paragraphs 1 through 15 above.

17. Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder are broad anti-fraud provisions. Exchange Act Rule 10b-5 makes it unlawful, among other things, "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," to "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.

18. FINRA Rule 2020 states 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."

19. Between March 1, 2012 and September 1, 2012, in connection with sales of the Fund, Respondent, directly or indirectly, by the use of the means of instrumentalities of interstate commerce (including by telephone), or of the mails, knowingly or recklessly made untrue statements of material fact or omitted to state a fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. Respondent also effected transactions in, or induced the purchase or sale of, securities by means of a PPM that was materially misleading.

20. Respondent's material misrepresentations to investors AB and GT included, but were not limited to, the following:

a. Statements to investors regarding how the Fund actually worked. Respondent told customers that the Fund's trading would be based on a computer algorithm. He used sample stocks to show customers how the Fund would trade on any given day, and explained to them that the Fund would be long or short based on the direction of the market in the first 15 minutes of trading. Respondent told customers that the Fund would be entirely in cash at the end of the trading day, after either profiting 3% or losing 1%. In fact, the Fund was not traded in this manner. The Fund's Chief Investment Officer (SMS) had complete discretion over the trading strategy of the Fund, was not obligated to follow the computer algorithm, and did not, in fact, follow the algorithm;

b. Statements to investors regarding how the Fund had been tested. Respondent told customers that the back-testing of the Fund showed that the formula would achieve growth. Respondent did not tell customers that the Fund's fees and trading costs were not taken into consideration during the back-testing of the Fund. Respondent also did not explain to customers that the Fund's formula had never been used in practice, and therefore, SMS might be unable to replicate the results demonstrated by the purported back-testing; and

c. Statements to investors regarding the Fund's investment risks. Respondent told customers that the Fund used a "growth strategy" and the Fund's losses were limited to 1%. Respondent explained to customers that the Fund had a 1% "stop-loss" that was a "safeguard" and "protection" against risk.

21. In connection with his sales of the Fund to AB and GT, Respondent's material omissions included, but were not limited to, the following:

a. The fact that SMS had complete discretion over the investment strategy of the Fund, and was not obligated to follow the algorithm;

b. The Fund was a speculative, aggressive investment;

c. The back-testing results had not been achieved under actual conditions because, among other things, those numbers did not take into account the Fund's fees and trading costs; and

d. There was no limit on the Fund's potential losses.

22. Respondent sold the Fund through a PPM that he knew contained numerous material misrepresentations and omissions about SMS's background. The PPM stated that:

a. "[SMS] has worked in the financial services industry for over 14 years;"

b. SMS "co-managed a portfolio of over $500 million for First Investors Financial Services;" and

c. SMS "took a position as a Vice President of Investments for a New York based investment company in which he was responsible for portfolio management and analysis."

23. Respondent had worked with SMS and was well-aware of SMS's lack of experience.

24. Respondent knew that SMS was only registered to sell securities for less than three years over the course of his entire career.

25. Respondent knew that SMS had not worked in the financial services industry for over 14 years.

26. Respondent knew that SMS had never managed any portfolio of securities.

27. Respondent knew that SMS was not the Vice President of any company.

28. Respondent knew that SMS was not responsible for managing any portfolios at a New York based investment company.

29. The PPM's statements about the business experience of SMS, the Fund's Chief Investment Officer, who had exclusive authority over the Fund's investment decisions, were material.

Based on the foregoing, Respondent willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and also violated FINRA Rules 2020 and 2010.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future

misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent be barred from association with any FINRA member in any capacity.

The sanctions imposed herein shall be effective on a date set by FINRA staff. A bar or expulsion is effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

Signed on behalf of the
Director of ODA, by delegated authority

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