

# Disciplinary and Other FINRA Actions

## Firm 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, and Dratel was barred from association with any FINRA member in any capacity and required to disgorge profits of \$489,000, plus prejudgment interest. The Securities and Exchange Commission (SEC) sustained the sanctions following appeal of a National Adjudicatory Council (NAC) 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. As a result of their conduct, the firm and Dratel willfully violated Section 10(b) of the Securities Exchange Act of 1934 (Exchange Act) and Rule 10b-5, and NASD Rule 2120. The SEC found that Dratel cherry-picked profitable day trades for his own account while steering unprofitable (or less profitable) day trades to his customers' discretionary 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.

The SEC also found that the firm maintained inaccurate and misleading books and records. The firm and Dratel failed to complete order tickets and, in furtherance of the cherry-picking scheme, created order tickets with inaccurate allocation times. Dratel caused the firm's recordkeeping violations. 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. ([FINRA Case #2008012925001](#))

Equinox Securities, Inc. ([CRD #145790](#), Redlands, California) and Stephen Michael Oliveira ([CRD #1880054](#), Phelan, California) submitted an Offer of Settlement in which the firm was expelled from FINRA membership; and Oliveira was fined \$25,000, barred from association with any FINRA member in any principal capacity and suspended from association with any FINRA member in any capacity for one year. Without admitting or denying the allegations, the firm and Oliveira consented to the sanctions and to the entry of findings that the firm, acting through a representative, excessively traded customer accounts. The findings stated the trading in the customer accounts was, as evidenced by the high annualized cost-to-equity ratios and number

## Reported for July 2016

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).

of transactions, excessive in light of and inconsistent with the customers' investment objectives and financial situations. None of the customers acquiesced or consented to the heavy level of trading in the accounts. The findings also stated that by engaging in a manipulative, deceptive and fraudulent scheme by churning the accounts of customers, the firm willfully violated Section 10(b) of the Exchange Act and Rule 10b-5, and FINRA Rule 2020. The firm and the representative acted with intent to defraud and/or reckless disregard of their customers' interests by seeking to maximize their own remuneration in disregard of their customers' interests. As a result of the excessive trading and churning in the accounts, each of the customers suffered extensive losses and paid exorbitant fees and commissions to the firm and the representative. The firm is liable for the representative's fraudulent misconduct, excessive trading and quantitatively unsuitable recommendations. The findings also included that the firm and the representative made qualitatively unsuitable recommendations by concentrating the customers' accounts in a single security. There was no reasonable basis for recommending that each of the customers become so heavily concentrated in a single, low-priced security where a significant loss would effectively wipe out the customer's entire principal in these accounts, many of which were the sole retirement accounts for the customers.

FINRA found that the firm and Oliveira, the firm's chief executive officer (CEO), chief compliance officer (CCO) and the representative's supervisor, failed to adequately supervise the representative. There were multiple "red flags" suggesting that the representative was excessively trading, churning and making unsuitable recommendations. These red flags were known to, but not addressed by Oliveira, or through him by the firm. Oliveira had supervisory authority over the representative, and the responsibility and authority to affect his conduct. The firm and Oliveira failed to adequately investigate and act upon the misconduct the representative had committed over a lengthy period of time. The firm and Oliveira also failed to ensure that the representative acted in a manner that was compliant with applicable laws, regulations and rules.

FINRA also found that the firm and Oliveira failed to establish an adequate supervisory system and procedures to detect and prevent unsuitable recommendations, and ensure that Uniform Application for Securities Industry Registration or Transfer (Form U4) amendments were current. Oliveira was responsible for establishing and maintaining the firm's supervisory systems and procedures. Oliveira failed to discharge those responsibilities adequately because the firm's supervisory system and procedures were not reasonably designed to achieve compliance with applicable securities laws, regulations and rules.

The suspension is in effect from June 6, 2016, through June 5, 2017. ([FINRA Case #2012031496501](#))

## Firms Fined, Individuals Sanctioned

**BrokerBank Securities, Inc. ([CRD #130116](#), Minnetonka, Minnesota) and Philip Paul Wright ([CRD #2453688](#), Eden Prairie, Minnesota)** submitted an Offer of Settlement in which the firm was censured and fined, jointly and severally, \$15,000 with Wright. Wright was separately fined \$10,000 and suspended from association with any FINRA member in any capacity for one month. A lower fine was imposed against the firm after considering, among other things, its revenue and financial resources.

Without admitting or denying the allegations, the firm and Wright consented to the sanctions and to the entry of findings that the firm, acting through Wright, issued hundreds of misleading press releases. The findings stated that the press releases, which referenced research reports on specific companies, falsely implied that the firm was the author of the research when, in fact, it was not; and in some instances, falsely implied that the firm was recommending securities covered in the research report when, in fact, it was not. Rather, the firm merely acted as a conduit for a non-registered entity, which paid the firm a fee per press release to submit the press releases to a newswire service. The firm fronted for the non-registered entity because the newswire service would only accept press releases from a registered broker-dealer or from the covered companies themselves. A number of the press releases failed to disclose that the firm was being paid to issue the press release. Some of the press releases and accompanying research reports were misleading because they omitted material negative information about the covered companies, specifically that they were subject to a “going concern” qualification by their auditors. The findings also stated that Wright, who was both the Chief Executive Officer and Chief Compliance Officer of the firm, was responsible for ensuring that the firm had adequate written procedures and an adequate supervisory system to ensure that the press releases complied with NASD®/FINRA rules, neither of which the firm had in place. Wright failed to establish such written policies or supervisory system relating to the press releases.

The suspension is in effect from June 20, 2016, through July 19, 2016. ([FINRA Case #2014041087701](#))

**FOG Equities LLC ([CRD #157067](#), Chicago, Illinois), Scott Noel Epstein ([CRD #4550908](#), Crystal Lake, Illinois), and David S. Spack ([CRD #5788566](#), San Francisco, California)** submitted a Letter of Acceptance, Waiver and Consent (AWC) in which the firm was censured and fined \$60,000, Epstein was fined \$5,000 and suspended from association with any FINRA member in any principal capacity for 30 days, and Spack was fined \$5,000 and suspended from association with any FINRA member in any principal capacity for 15 days. Without admitting or denying the findings, the firm, Epstein and Spack consented to the sanctions and to the entry of findings that with respect to the firm’s low-priced securities business involving penny stock transactions, they failed to establish, implement and maintain an adequate supervisory system and WSPs that were reasonably designed to achieve compliance with Section 5 of the Securities Act of 1933 (Securities Act) and other

applicable securities laws and regulations. The findings stated that Epstein, as the firm's designated principal, was responsible for the daily supervision of the firm and ensuring proper policies and procedures were in place while Spack was responsible for maintaining the firm's procedures. The firm's procedures were not adequately designed for assessing whether securities were registered or appropriately exempt from registration, and for preventing the sale of unregistered securities that were not exempt from registration. As a result, the penny stock liquidations the firm facilitated occurred without any review for compliance with Section 5. The firm, Epstein and Spack improperly relied on the firm's broker-dealer customers to perform all due diligence with respect to the beneficial owner of the penny stock shares.

The findings also stated that the firm, Epstein and Spack failed to establish, maintain, and implement AML procedures reasonably designed to detect and cause the reporting of suspicious transactions related to low-priced securities transactions. The firm also failed to have systems and procedures in place to investigate the identity of the ultimate customers of the firm's foreign broker-dealer customers who beneficially owned the securities in certain delivery versus payment (DVP) accounts, investigate how those customers' customers acquired low-priced securities, or review or investigate the account activity to determine whether to file a suspicious activity report. As a result of the firm's inadequate AML systems and procedures, the firm, Epstein and Spack failed to identify, investigate and/or report, if appropriate, suspicious activity and AML red flags relating to low-priced securities transactions and to its foreign broker-dealer customers. The findings also included that the firm, and Epstein and Spack, acting in their capacity as the firm's AML Compliance Officer (AMLCO), failed to establish and implement a system reasonably designed to achieve compliance with the Bank Secrecy Act. The firm and its registered principals failed to establish and implement a due diligence program for foreign financial institutions (FFIs) that would identify and detect unusual activity. The firm and its registered principals also failed to conduct sufficient due diligence for FFI accounts and periodic activity reviews for FFI accounts to determine whether the activity was consistent with the information provided by the accountholders at the accounts' inception.

Epstein's suspension is in effect from June 20, 2016, through July 19, 2016. Spack's suspension was in effect from June 20, 2016, through July 4, 2016. ([FINRA Case #2015043495101](#))

## Firms Fined

**Alluvion Securities, LLC** ([CRD #143623](#), Memphis, Tennessee) submitted an AWC 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 submit timely Forms G-37 to the Municipal Securities Rulemaking Board (MSRB) and failed to disclose on a Form G-37 filing that it engaged in a municipal underwriting. The findings stated that the firm failed to supervise its municipal securities activities and enforce its WSPs to ensure timely and accurate Form G-37 filings. ([FINRA Case #2015043291601](#))

**American Trust Investment Services, Inc.** ([CRD #3001](#), Whiting, Indiana) submitted an AWC 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 preserve emails in a non-rewriteable, non-erasable format. The findings stated that as a result, the firm's email system allowed deleted emails to become unrecoverable after 30 days. The firm was unable to maintain or enforce a supervisory system with respect to all email correspondence, and its email system lacked dedicated supervisory review functions and could not create a verifiable audit trail. The firm failed to completely review email communications flagged by its filtering system. While the firm reviewed the headers of each flagged email communication, the firm additionally reviewed the body of each flagged email only approximately 2 percent of the time.

The findings also stated that the firm failed to establish and maintain an adequate supervisory system, including WSPs, with respect to a range of consulting services that the firm contracted to provide to a particular client. The firm's on-going supervision with respect to its consulting services for this client was conducted primarily through its general supervision of email correspondence, and by efforts not pursuant to its written supervisory system. The firm's general supervision of email at certain times was not sufficient. Further, the firm's supervisory efforts outside of its written procedures did not ensure adequate oversight of the registered representatives involved in providing the consulting services on the firm's behalf. ([FINRA Case #2014040630701](#))

**Barclays Capital Inc.** ([CRD #19714](#), New York, New York) submitted an AWC in which the firm was censured, fined \$600,000, and required to revise its supervisory system, including, but not limited to, its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that a programming error in a firm algorithm caused it to splice parent short sale orders into child orders marked as long sales. The findings stated that as a result, the firm routed short sale orders and failed to properly mark the orders as short. The firm executed short exempt transactions and reported each of those transactions as non-exempt short sales in non-tape reports to the Trade Reporting Facility® (TRF®). The findings also stated that the firm's WSPs did not provide for supervision designed to ensure that the relevant algorithm marked orders in compliance with SEC Rule 200(g) and did not provide for supervision designed to ensure that short exempt transactions received from its broker-dealer clients were accurately reported. ([FINRA Case #2013035402401](#))

**Beacon Gate LLC** ([CRD #157987](#), New York, New York) submitted an AWC 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 failed to transmit Reportable Order Events (ROEs) to the Order Audit Trail System (OATS™). ([FINRA Case #2015044542601](#))

**Canaccord Genuity Inc.** ([CRD #1020](#), New York, New York) submitted an AWC in which the firm was censured and fined \$200,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it omitted required conflict of interest disclosures from its research reports concerning the expectation of receiving or intent to seek compensation for investment banking services, and also omitted required disclosures from its research reports related to an analyst's financial interest in a subject company. The findings stated that the firm failed to disclose required information in a clear, comprehensive and prominent manner. The findings also stated that the firm failed to implement reasonably designed WSPs concerning its compliance with NASD Rule 2711. The firm failed to implement reasonably designed WSPs to prohibit trading ahead of research reports. In addition, the firm did not have appropriate controls to restrict the flow of information between its research and trading department personnel. ([FINRA Case #2014040242501](#))

**Cetera Financial Specialists LLC** ([CRD #10358](#), Schaumburg, Illinois) submitted an AWC in which the firm was censured and fined \$40,000. Without admitting or denying the findings, the firm consented to the sanction and to the entry of findings that it failed to issue for customer accounts statutorily required 30-day post-account opening investor profile documents and 36-month post-account opening investor profile documents. The findings stated that these failures were caused by a computer programming error that occurred during the firm's transition to a new internal firm system. During the conversion process, customer profile information, including the dates triggering the issuance of Exchange Act Rule 17a-3 account notices, was successfully transferred from the firm's old system to its new one. However, a flaw in the algorithm used to trigger the mailing of account records resulted in the firm's failure to issue the required 17a-3 account notices for the customer accounts. ([FINRA Case #2013037346101](#))

**Citigroup Global Markets Inc.** ([CRD #7059](#), New York, New York) submitted an AWC in which the firm was censured and fined \$50,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it exceeded over-the-counter (OTC) position limits in two different securities for two different customers. The findings stated that the firm failed to report and failed to correctly report conventional options positions to the Large Options Positions Report (LOPR) by failing to report options positions to the LOPR; reporting one options position with an incorrect account name; over-reporting positions in one option; reporting incorrect effective dates for positions; and reporting numerous proprietary positions to the LOPR with ambiguous or incorrect account names, incorrect account address fields, incorrect tax ID numbers and no acting in concert numbers for accounts that should have been linked as in-concert. The findings also

stated the firm failed to maintain an adequate system of supervision, including systems of follow-up and review, reasonably designed to achieve compliance with the rules governing the reporting of options positions to the LOPR system. The firm also lacked sufficient WSPs requiring reviews to determine that LOPR submissions were accurate, and to identify and report options positions appropriately as acting in-concert. ([FINRA Case #2013035981901](#))

**Electronic Transaction Clearing, Inc. ([CRD #146122](#), Los Angeles, California)** submitted an AWC 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 transmit and/or failed to timely report ROEs to OATS; transmitted Combined Order/Route Reports to OATS that were not linked to the corresponding new order due to inaccurate, incomplete or improperly formatted data; and submitted inaccurate short interest position reports to FINRA. The findings also 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 OATS, and the firm. Specifically, the firm's supervisory system failed to conduct a comprehensive review of the firm's OATS data submissions on the OATS website and compare the accepted OATS data to the firm's books and records to ensure all ROEs were submitted. In addition, the firm failed to enforce its WSPs, which specified that any exceptions identified by the firm's OATS reviews would be brought to the attention of the CCO for appropriate action. Although the firm identified some exceptions through its OATS reviews, it failed to take appropriate action to resolve the exceptions in a timely manner. ([FINRA Case #2013036531901](#))

**Emerging Growth Equities, Ltd. ([CRD #47040](#), King of Prussia, Pennsylvania)** submitted an AWC in which the firm was censured and fined \$55,000. A lower fine was imposed after considering, among other things, the firm's revenue and financial resources. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish and implement adequate AML policies and procedures reasonably designed to detect, investigate and, if necessary, report suspicious transactions. The findings stated that among other things, the firm failed to detect, investigate, and adequately respond to potentially suspicious transactions related to the deposit and liquidation of microcap securities, and failed to evidence any of the reviews that were performed to investigate red flags indicative of potentially suspicious trading activities. The findings also stated that the firm failed to establish, maintain, and enforce an adequate supervisory system reasonably designed to prevent the sale of unregistered securities and ensure compliance with Section 5 of the Securities Act. The firm relied upon information obtained from the transfer agent or interested parties (*i.e.*, the customer, issuer, and/or persons associated with the issuer) rather than conducting adequate independent reviews to determine whether proposed resale transactions amounted to unregistered distributions. The findings also included that the firm published numerous research reports without a qualified principal's review and approval. In addition, the firm provided research reports to subject companies before their publication, published certain research reports without required disclosures, and failed to prevent a research analyst from trading in a covered stock during a restricted period. ([FINRA Case #2014038908001](#))

**Feltl & Company** ([CRD #6905](#), Minneapolis, Minnesota) submitted an AWC in which the firm was censured and fined \$250,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to identify and apply sales-charge discounts to certain customers' eligible purchases of unit investment trusts (UITs), resulting in customers paying excessive sales charges of approximately \$261,873. The firm has paid restitution to all affected customers. The findings stated that the firm failed to establish, maintain, and enforce a supervisory system and WSPs reasonably designed to ensure that customers received sales charge discounts to which they were entitled on UIT purchases. The firm did not have a system or procedure, whether written or informal, to spot UIT switches and identify applicable sales-charge discounts. The firm also failed to establish, maintain, and enforce a supervisory system and WSPs reasonably designed to prevent unsuitable short-term trading of UITs. The firm employed a decentralized system for its supervisory review of UIT transactions that relied on branch managers to detect potentially problematic transactions or patterns of transactions through daily reviews of trade blotters. Although the firm had access to an exception report that identified, among other things, short-term trading in UITs, the firm viewed the report as flawed and did not share it with its branch-office managers. This supervisory deficiency allowed unsuitable UIT trading to go undetected. The findings also stated that a registered representative of the firm engaged in unsuitable short-term trading of UITs in customer accounts. These customers paid a combined total of nearly \$65,000 in commissions and sustained additional losses on the unsuitable trades. ([FINRA Case #2013036524902](#))

**Financial America Securities, Inc.** ([CRD #5100](#), Cleveland, Ohio) submitted an AWC in which the firm was censured and fined \$12,500. A lower fine was imposed after considering, among other things, the firm's revenue and financial resources. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that while participating as placement agent in a private offering of shares in an issuer pursuant to Regulation D of the Securities Act, it willfully violated Section 10(b) the Exchange Act and Rule 10b-9 when it did not return investor funds following a material change to offering terms. The findings stated that the offering commenced as an "all-or-none" contingent offering seeking to raise \$2 million to allow the issuer to acquire another company. Before the closing date of the offering, the issuer revised the terms of the offering through a Revised Securities Purchase Agreement, which altered the minimum amount needed to complete the acquisition. The findings also stated that the firm participated in the offering in which the issuer used a law firm, rather than a bank, as the escrow agent, in violation of Exchange Act Rule 15c2-4. The firm did not maintain reasonable WSPs regarding its participation as a placement agent for a Regulation D offering. The firm WSPs did not offer any guidance on procedures to follow when there are material changes to the offering terms in a contingent offering or how to escrow funds pending the outcome of a contingent offering. ([FINRA Case #2014042711601](#))

**Goldman, Sachs & Co. (CRD #361, New York, New York)** submitted an AWC in which the firm was censured and fined \$50,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it submitted inaccurate information in certain respects regarding the result of an auction to the MSRB's Short-term Obligation Rate Transparency (SHORT) system while acting as a program dealer in auction-rate securities (ARS). The findings stated that the firm erroneously reported rate types for the ARS indicating that the interest rates were "set by auction," instead of the maximum interest rates. The findings also 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 MSRB rules, relating to MSRB Rule G-34 concerning SHORT reporting of rate types. ([FINRA Case #2013039539801](#))

**Hapoalim Securities USA, Inc. (CRD #266, New York, New York)** submitted an AWC in which the firm was censured, fined \$200,000 and required to revise its Anti-Money Laundering Compliance Program (AMLCP) within 30 days. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish an AMLCP reasonably designed to achieve and monitor compliance with the Bank Secrecy Act. The findings stated that the firm failed to establish and implement risk-based procedures and controls reasonably designed to detect and report, on an ongoing basis, known or suspected money-laundering activity. The firm's AML procedures stated in conclusory fashion that the firm would manually monitor a sufficient amount of account activity to permit identification of patterns of unusual size, volume, pattern or type of transactions; geographic factors, such as whether jurisdictions designated as 'non-cooperative' are involved; and other enumerated red flags. Yet it did not contain any procedures specifying how personnel should select or identify accounts for manual monitoring, how they should conduct such monitoring, or the type of review they should conduct. The AML procedures also failed to address how the firm or its personnel should investigate patterns of activity of unusual size, volume, pattern or type of transactions. With respect to geographic factors, the AML procedures failed to identify high-risk jurisdictions, or criteria for identifying such jurisdictions. As a result of these deficiencies in its AMLCP, the firm failed to detect and investigate instances of potentially suspicious trading in microcap securities, as well as a large volume of liquidations of Venezuelan sovereign debt. The firm failed to detect and investigate more than six million shares of securities that were sold for over \$2 million without any corresponding purchases, while the securities were the subject of paid promotions seeking to boost their public profile. The firm also failed to detect and investigate more than \$300 million in net sales of dollar-denominated Venezuelan debt securities with few corresponding purchases. Such a sales pattern in dollar-denominated Venezuelan debt securities posed a particularly high AML risk.

The findings also stated that the firm used AML exception reports provided by a third party to identify accounts requiring enhanced review, but those reports excluded activity in DVP/receipt-versus payment accounts, which comprised approximately 93 percent

of all accounts at the firm. While the firm also used non-AML exemption reports to monitor suspicious account activity, those reports were limited to daily trading activity and could not illuminate long-term trends or patterns of suspicious activity. The findings also included the firm failed to obtain adequate information from its FFI customers regarding the type, purpose and anticipated activity of their accounts. The firm also failed to adequately apply risk-based procedures and controls to each FFI account that were reasonably designed to detect and report known or suspected money-laundering activity, including a periodic review of the account activity sufficient to determine consistency with information obtained about the type, purpose and anticipated activity of the account. In addition, the firm failed to meet the enhanced due diligence requirements for certain foreign banks. ([FINRA Case #2013037856801](#))

**Hilltop Securities Inc. fka Southwest Securities, Inc. (CRD #6220, Dallas, Texas)** submitted an AWC 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 effected municipal bond transactions in amounts below the minimum denomination set for the bonds being sold. The findings stated that the firm failed to provide disclosure at the time of the trade to the customers noting that said transaction was being effected below the minimum denomination. While the firm had WSPs prohibiting the sale of municipal securities to customers below the minimum denomination, subject to certain exceptions, it did not have any systems or controls in place to prohibit sales below the minimum denomination. ([FINRA Case #2015043470101](#))

**Kovack Securities Inc. (CRD #44848, Ft. Lauderdale, Florida)** submitted an AWC in which the firm was censured, fined \$125,000 and ordered to pay \$119,319.27 in restitution to customers. The firm has paid full restitution and provided proof of payment to FINRA. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to identify and apply sales charge discounts to certain customers' eligible purchases of UITs, which resulted in customers paying excessive sales charges of \$119,319.27. The findings stated that the firm failed to establish, maintain and enforce a supervisory system reasonably designed to ensure that customers received sales charge discounts on all eligible UIT purchases. The firm relied primarily on its registered representatives to ensure that customers received appropriate UIT sales charge discounts despite the fact that the firm did not effectively inform and train representatives and their supervisors to identify and apply such sales charge discounts. ([FINRA Case #2014041840501](#))

**Midtown Partners & Co., LLC (CRD #104223, New York, New York)** submitted an AWC in which the firm was censured and fined \$5,000. A lower fine was imposed after considering, among other things, the firm's revenue and financial resources. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to properly analyze and evaluate whether the activity of a former registered representative, on behalf of an automobile dealer finance company the registered

representative owned, should have been treated as an outside securities activity and therefore subject to the limitations imposed on the participation of associated persons in private securities transactions. The findings stated that the registered representative's company initiated an offering in which it offered investors the opportunity to purchase debt securities. In light of the registered representative's outside business activity disclosure, the firm's WSPs required that the firm's CEO/CCO analyze any business conflicts between the registered representative's company and the firm, and to assess whether the activity should be characterized as an outside business activity or whether it should be treated as an outside securities activity (private securities transaction) subject to the requirements of NASD Rule 3040. The firm's CEO/CCO never undertook this assessment. The firm's CEO/CCO also never conducted a quarterly review of the registered representative's outside business activity or evaluated any potential conflicts that may have arisen since the initial disclosure of his outside business activity, both of which were required by the firm's WSPs.

The findings also stated that other than initial discussions with the registered representative, the firm's CEO/CCO did not follow up with registered representative concerning the company, did not have any further discussions about the nature of the company's business, and did not ask the registered representative whether the company was selling securities or actively raising capital. The registered representative continued to directly solicit investors in the offering and sold \$1,920,000 in debt securities through his efforts to investors without any relationship with the firm. The firm did not have any knowledge of this activity. ([FINRA Case #2014042851801](#))

**MSC-BD, LLC ([CRD #142927](#), Lake Oswego, Oregon)** submitted an AWC in which the firm was censured and fined \$15,000. A lower fine was imposed after considering, among other things, the firm's revenue and financial resources. 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 with respect to the activities of a registered representative and his investment banking consulting business (the finder platform) through the firm, in which he acted as a "finder" of potential investors for microcap issuers pursuant to consulting agreements between those issuers and the finder platform. The findings stated that the firm failed to establish a supervisory system and WSPs reasonably designed to ensure that the representative had conducted adequate due diligence on the issuer clients of the finder platform before introducing them to potential investors, or that an investment in those issuers would be suitable for the potential investors. In addition, the firm failed to establish a supervisory system and WSPs reasonably designed to detect and prevent the representative from causing the firm to participate in securities transactions conducted in violation of the registration requirements of Section 5 of the Securities Act, or that may have otherwise been unlawful under the securities laws. In particular, the firm did not review the financing deals resulting from the representative's introductions, despite receiving transaction-based compensation from them. The firm did not screen the terms or the other participants in those financing deals, and it did not

request or review the transaction documents that were ultimately created to effect those deals. The firm also failed to enforce an unwritten policy of placing issuer clients of the finder platform on the firm's restricted list upon the execution of a consulting agreement between the issuer client and the finder platform. As a result, the firm failed to maintain current restricted lists with respect to the issuer clients of the finder platform. The firm failed to reasonably investigate or evidence its review of the representative's trading activity involving issuer clients of the finder platform in an outside brokerage account, including the deposit of a large volume of physical share certificates, the immediate sales of the shares, and the wiring of the proceeds from the account. The firm also failed to evidence an adequate supervisory review of the representative's electronic email communications.

The findings also stated that upon receiving notice that the representative was consulting for an outside family fund, the firm failed to adequately review and evaluate the representative's outside business activity with respect to the family fund. Specifically, the firm failed to maintain records evidencing any analysis of the outside business activity, including any analysis of potential conflicts of interest or whether the firm should have required limitations on the representative's activities for the family fund. Further, the firm did not evaluate whether the representative's consulting arrangement with the family fund, in return for which the representative maintained a beneficial interest in the fund's investments, resulted in his participation in private securities transactions. ([FINRA Case #2014039285101](#))

**Nomura Securities International, Inc. ([CRD #4297](#), New York, New York)** submitted an AWC 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 transmit, within 30 seconds after execution, last sale reports of transactions in designated securities to the FINRA/Nasdaq TRF (FNTRF), and failed to report the correct execution time for transactions in reportable securities to the FNTRF. ([FINRA Case #2014039656601](#))

**Oriental Financial Services Corp. ([CRD #29753](#), San Juan, Puerto Rico)** submitted an AWC in which the firm was censured, fined \$40,000, and ordered to pay \$18,358.52, 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 it purchased municipal securities for its own account from a customer and/or sold municipal securities for its own account to a customer at an aggregate price (including any mark-down or mark-up) that was not fair and reasonable, taking into consideration all relevant factors, including the best judgment of the broker, dealer or municipal securities dealer as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction; the expense involved in effecting the transaction; the fact that the broker, dealer or municipal securities dealer is entitled to a profit; and the total dollar amount of the transaction. ([FINRA Case #2013038872701](#))

**RBC Capital Markets Arbitrage, S.A. ([CRD #121263](#), New York, New York)** submitted an AWC in which the firm was censured and fined \$13,000. 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 trade execution time for transactions in Trade Reporting and Compliance Engine® (TRACE®)-eligible securitized products to TRACE and failed to show the correct execution time on brokerage order memoranda. The findings stated that the firm failed to report transactions in TRACE-eligible securitized products to TRACE within the timeframe required by FINRA Rule 6730. ([FINRA Case #2015044190401](#))

**RBC Capital Markets, LLC ([CRD #31194](#), New York, New York)** submitted an AWC 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 the inaccurate, incomplete or improperly formatted data prevented OATS from matching the reports to the related trade report in a TRF. In addition, the firm transmitted execution or combined order/execution reports to OATS that it was not required to report. ([FINRA Case #2014043005601](#))

**Sterne, Agee & Leach, Inc. ([CRD #791](#), Birmingham, Alabama)** submitted an AWC in which the firm was censured and fined \$30,000. 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 corporate debt securities to TRACE within the timeframe required by FINRA Rule 6730(a) and failed to timely report purchase and sale transactions effected in municipal securities to the Real-Time Transaction Reporting System (RTRS) in the manner prescribed by MSRB Rule G-14, RTRS Procedures and the RTRS User Manual. ([FINRA Case #2014042205101](#))

**SunTrust Robinson Humphrey, Inc. ([CRD #6271](#), Atlanta, Georgia)** submitted an AWC in which the firm was censured and fined \$45,000. 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 trade execution time for transactions in TRACE-eligible securitized products to TRACE, and failed to report transactions in TRACE-eligible securities products to TRACE within the timeframe required by FINRA Rule 6730. The findings stated that the firm failed to report the correct trade execution time for S1 transactions in TRACE-eligible corporate debt securities to TRACE, and failed to report S1 transactions in TRACE-eligible securities to TRACE within 15 minutes of the execution time. The firm also failed to show the correct execution time on brokerage order memoranda. ([FINRA Case #2014042145201](#))

**UBS Securities LLC ([CRD #7654](#), New York, New York)** submitted an AWC in which the firm was censured, fined \$110,000, 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 disclose on the written notification to its customers its correct capacity in transactions, by erroneously noting that the firm acted in an agency capacity when it acted

in a riskless principal capacity. The findings stated that the inaccurate capacity designations on the confirmations arose from a systems configuration error when the firm's program trading desk switched order management systems. The systems configuration error resulting in the inaccurate capacity information affected confirmations issued to customers/clients seeking settlement dates other than by regular-way whose orders were handled by the program trading desk. 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 FINRA rules. The firm's WSPs failed to sufficiently provide for one or more of the minimum requirements for adequate WSPs regarding SEC Rule 10b-10 compliance. ([FINRA Case #2014039937601](#))

**Ultralat Capital Markets, Inc. ([CRD #136791](#), Miami, Florida)** submitted an AWC in which the firm was censured and fined \$12,500. 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 trade execution time for transactions in TRACE-eligible corporate debt securities to TRACE, and failed to report transactions in TRACE-eligible corporate debt securities to TRACE within the required timeframe. ([FINRA Case #2015044324401](#))

**Wedbush Securities Inc. ([CRD #877](#), Los Angeles, California)** was fined \$1,000,000. The matter became final following the firm's withdrawal of its appeal of an Office of Hearing Officers (OHO) decision. The sanctions were based on findings that the firm submitted incomplete and inaccurate blue sheets to the SEC, in willful violation of Section 17(a) of the Exchange Act and Rules 17a-4(j) and 17a-25 and FINRA Rule 2010. The findings stated that the firm also submitted incomplete and inaccurate blue sheets to FINRA, in violation of FINRA Rules 8211, 8213 and 2010. The inaccurate and incomplete submissions to both the SEC and FINRA stemmed from the firm's lack of any coherent system or supervision, review and quality control for the firm's blue sheets.

The findings also stated that the firm failed to have in place an audit system providing for accountability regarding inputting of records, in willful violation of Section 17(a) of the Exchange Act and Rule 17a-4(f)(3)(v) and FINRA Rule 2010. The firm did not have an audit system in place providing accountability for the information entered into its blue sheets responses. The firm was ignorant of the defects in its blue sheet submissions because it did not have a system for auditing the information entered into its blue sheet responses to provide for accountability. Senior compliance personnel did not institute any procedures for checking the entry of information in the blue sheets before submission, and any quarterly review of the blue sheets after submission was purely ad hoc. The findings also included that the firm failed to establish and maintain a supervisory system relating to its submission of blue sheets, and failed to establish, maintain and enforce WSPs relating to blue sheets that were reasonably designed to achieve compliance with applicable securities laws, regulations and rules, in violation of NASD Rule 3010 and FINRA Rule 2010. ([FINRA Case #2012034934301](#))

**Wells Fargo Securities, LLC** ([CRD #126292](#), Charlotte, North Carolina) submitted an AWC in which the firm was censured and fined \$25,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it executed short exempt transactions and failed to report each of these transactions to FINRA with a short exempt modifier. The findings stated that the firm failed to establish, maintain, and enforce written policies and procedures reasonably designed to prevent the execution or display of a non-exempt short sale in a security subject to a short sale circuit breaker at a price at or below the national best bid. ([FINRA Case #2014040355501](#))

## Individuals Barred or Suspended

**Paul Anthony Akre** ([CRD #1068145](#), Pewaukee, Wisconsin) submitted an AWC in which he was fined \$15,000 and suspended from association with any FINRA member in any capacity for four months. Without admitting or denying the findings, Akre consented to the sanctions and to the entry of findings that he improperly loaned money to his member firm's customers, which was expressly prohibited by the firm's WSPs. The findings stated that Akre did not at any time notify his firm that he provided loans to the customers, and did not obtain his firm's written pre-approval to loan the funds. Akre falsely answered on his firm's annual compliance questionnaire that he had not loaned money to a customer.

The findings also stated that Akre engaged in undisclosed outside business activities involving the formation of limited liability companies without providing prior written notice to, and obtaining prior approval from, his firm. Akre submitted annual attestations to his firm in which he affirmatively attested that he did not participate in any outside business activities except for those previously disclosed to, and approved, by the firm. The findings also included that Akre engaged in a private securities transaction without providing notice to the firm, which involved receiving founder's shares in a company (AT), which company's shares constituted securities. Akre did not disclose his personal investment in the company to the firm until he requested approval to personally invest in the company.

The suspension is in effect from June 6, 2016, through October 5, 2016. ([FINRA Case #2013037829701](#))

**Alan Cashaw Jr.** ([CRD #4574278](#), Philadelphia, Pennsylvania) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Cashaw failed to timely respond to FINRA written requests for information and documents. The findings stated that Cashaw responded only after having been suspended pursuant to FINRA Rule 9552. Following Cashaw's untimely response, FINRA renewed its investigation into, among other things, allegations that Cashaw had not properly made and preserved books, accounts, records, memoranda and correspondence. Cashaw failed to respond to these subsequent requests for information and documents. ([FINRA Case #2014041884602](#))

**David Alfred Castillo** ([CRD #1492837](#), Venice, California) submitted an AWC in which he was suspended from association with any FINRA member in any capacity for four months. In light of Castillo's financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Castillo consented to the sanction and to the entry of findings that he willfully failed to timely disclose numerous federal and California Franchise Tax Board tax liens and a felony charge on his Form U4.

The suspension is in effect from June 6, 2016, through October 5, 2016. ([FINRA Case #2013037221701](#))

**Michael Jon DeBoer** ([CRD #2114067](#), Trinity, Florida) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, DeBoer consented to the sanction and to the entry of findings that he recommended that two customers collectively invest \$200,000 in securities offered by a software development company. The findings stated that in return for the referrals, DeBoer received \$32,000 in compensation from the company while the customers ultimately lost the entirety of their investments in the securities. The securities were not offered through DeBoer's member firm. Prior to recommending that his customers invest in the securities, DeBoer did not disclose to his firm, in writing or otherwise, his involvement in recommending the securities or his receipt of compensation for referring the customers to the company. Furthermore, before making his recommendations, DeBoer failed to reasonably investigate the software company, its securities or its intended use of the proceeds generated through the sale of its securities, and therefore lacked a reasonable basis to believe the securities were suitable investments for at least some customers. The findings also stated that DeBoer marketed to his customers and other potential investors the services of an entity that provided separately managed futures trading accounts. DeBoer referred approximately 28 people to the entity, who collectively invested more than \$1.8 million, and he received more than \$70,000 in return for his referrals. Most or all of the people DeBoer referred to the futures trading entity lost a substantial amount of the money they invested. DeBoer did not disclose his involvement in this outside business activity to his firm. ([FINRA Case #2015044778301](#))

**Frank Thomas Dineen** ([CRD #68309](#), St. Simons Island, Georgia) submitted an AWC in which he was suspended from association with any FINRA member in any capacity for two months. In light of Dineen's financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Dineen consented to the sanction and to the entry of findings that he failed to timely amend his Form U4 to report a State of Georgia tax lien entered against him and a series of federal tax liens. The findings stated that together, all of the untimely disclosed liens, with interest, totaled over \$2 million.

The suspension is in effect from June 6, 2016, through August 5, 2016. ([FINRA Case #2015046768601](#))

**Gary Eugene Donovan** ([CRD #866235](#), Newark, Ohio) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Donovan consented to the sanction and to the entry of findings that he placed limit buy orders for an illiquid OTC security based on communications he had with a stock promoter. The findings stated that Donovan knew, or should have known, that his buy orders were being matched with identical sell orders and thus facilitating a stock manipulation of the OTC security. After Donovan ceased dealing with the stock promoter, Donovan, his family and his customers lost most of their investments. ([FINRA Case #2015045600101](#))

**David Arthur Ellingwood** ([CRD #5534163](#), Potomac Falls, Virginia) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 20 business days. Without admitting or denying the findings, Ellingwood consented to the sanctions and to the entry of findings that he effected discretionary trades in a customer's account without obtaining the customer's prior written authorization, and without his member firm's acceptance of the account as discretionary.

The suspension was in effect from June 6, 2016, through July 1, 2016. ([FINRA Case #2015046012801](#))

**Mitchell Harris Fillet** ([CRD #207546](#), Riverside, Connecticut) was fined \$10,000 and suspended from association with any FINRA member in any capacity for 12 months. The National Adjudicatory Council (NAC) imposed the sanctions following a remand from the SEC to re-determine the sanctions for Fillet's violations of the antifraud provisions. With respect to violations of the antifraud provisions, the SEC sustained the NAC's findings of violation with one exception: It set aside a portion of FINRA's findings of the violation under Section 10(b) of the Exchange Act Rule 10b-5(b) in regards to misrepresentations in an offering document. The SEC affirmed the findings of violations of NASD Rules 2110 and 3110, and sustained the NAC's sanctions of a \$10,000 fine and two-year suspension from association with any FINRA member in any capacity for this misconduct. The NAC modified its prior determination to suspend Fillet for 18 months for his violations of the antifraud provisions. Instead, the NAC decided to impose a 12-month suspension for Fillet's fraud. The 12-month suspension for fraud will be served consecutively with a two-year suspension imposed by the SEC in this matter, which is currently in effect from May 27, 2015, through May 26, 2017.

The sanctions for fraud were based on findings that Fillet misrepresented and failed to disclose certain material facts in offering documents to an investor. The findings also stated that in the offering document for a private placement of securities, Fillet misrepresented material facts and failed to disclose the criminal history of a person integral to the success of the offering. Fillet's omission of the criminal history information violated Section 10(b) of the Exchange Act and Rules 10b-5(a) and (c).

This matter has been appealed to the SEC. ([FINRA Case #2008011762801](#))

**John Nicholas Furkioti** ([CRD #5005622](#), Farmington Hills, Michigan) submitted an AWC in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any principal capacity for one month. Without admitting or denying the findings, Furkioti consented to the sanctions and to the entry of findings that as his member firm's CCO, he approved firm representative's participation in a private offering as an outside business activity, rather than as a private securities transaction, which was contrary not only to NASD and FINRA rules, but also to the firm's WSPs. The findings stated that the firm representative was presented with an exclusive opportunity to sell debt units of a private offering, and submitted an outside business activities form to Furkioti for approval. Furkioti understood that the representative would be compensated for the sales activity. Furkioti approved the representative's request to participate in the offering as an outside business activity, despite the obvious indications that the representative's participation in the offering constituted outside securities activities for compensation. Furkioti failed to adhere to the requirements of his firm's WSPs in that he should have evaluated the outside business activity request to determine whether the activity should have more properly been considered an outside securities activity. As a result of the treatment of the representative's participation in the offering as an outside business activity and not a private securities transaction for compensation, the transactions were not in the firm's books and records, and the firm did not supervise the activity.

The suspension was in effect from June 6, 2016, through July 5, 2016. ([FINRA Case #2015046056402](#))

**Stephen Grivas** ([CRD #1829703](#), Jericho, New York) was barred from association with any FINRA member in any capacity. The SEC sustained the sanction following appeal of a NAC decision. The sanction was based on findings that Grivas converted \$280,000 belonging to an investment fund that he formed and managed, and transferred those funds to his member firm in order to cure the firm's net capital deficiency. The findings stated that Grivas transferred \$280,000 from the fund to his firm without the fund's authorization. The findings also stated that Grivas permitted an individual to send misleading information to fund members about the size of their potential refunds, and Grivas did not disclose the withdrawal when he spoke with fund members about their refunds. Grivas failed to repay the money to the fund until almost a year after the withdrawal and until two months after FINRA took his investigative testimony. ([FINRA Case #2012032997201](#))

**Terry Lee Haggerty** ([CRD #728634](#), Glenview, Illinois) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Haggerty consented to the sanction and to the entry of findings that he engaged in manipulative trading activity in the shares of a penny stock traded in the OTC market, in willful violation of Section 10(b) of the Exchange Act and Rule 10b-5, and in violation of FINRA Rule 2020. The findings stated that through the use of his own accounts and those of his member firm customers, including his discretionary trading clients, Haggerty effected pre-arranged or matched trades in the penny stock, and marked the open or the close, in order to support or raise the price of the stock. Haggerty executed

transactions in the penny stock within the first or last 20 minutes of the trading day that set the opening or closing price for the penny stock at a price that was higher than the last reported independent trade in which the firm was not a party. The findings also stated that Haggerty believed that certain persons were attempting to depress the price of the penny stock by selling stock at prices lower than Haggerty thought warranted by the market, thereby causing precipitous declines in the penny stock's price. When, in Haggerty's view, such declines occurred, he executed trades in the penny stock at higher prices in order to support the market for the stock, and to buy up stock from persons Haggerty believed were trying to depress the stock's price, thereby preventing future precipitous price declines. The findings also included that Haggerty used matched trades to avoid selling shares of the penny stock into the open market, and thereby avoid depressing the price of the stock. Haggerty also acknowledged that he sold the shares in matched trades rather than the open market, at least in part, in order to avoid depressing the price of the penny stock, and to avoid putting stock into the hands of those persons that he believed were attempting to depress the price of the stock.

FINRA found that Haggerty failed to establish a supervisory system to supervise the activities of each registered representative and registered principal, including himself, that was reasonably designed to achieve compliance with applicable securities laws and regulations. Haggerty, as the firm's president, CEO, and CCO, failed to ensure that the trading activity that he conducted on behalf of himself and the firm's customers was reviewed to detect and prevent potential manipulative trading activity. In addition, Haggerty failed to ensure that his email communications were reviewed for compliance with applicable securities laws and regulations. ([FINRA Case #2012031595501](#))

**Talman Anthony Harris (CRD #3209947, Garden City, New York)** was barred from association with any FINRA member in any capacity. The SEC sustained the sanction and findings the NAC had imposed. The sanction was based on findings that Harris fraudulently omitted material facts when soliciting purchases of securities and engaged in outside business activities without providing his member firm with prompt written notice. The findings stated that in connection with the sale of \$961,825 worth of a corporation's securities, Harris failed to disclose material facts to customers in that he and another individual received a \$350,000 fee for advisory services from the corporation and that he had a business relationship with the corporation. Harris must have known that both the payment and his ongoing business relationship with the corporation gave him obvious conflicts of interest that had the potential to influence his decision of what securities to recommend to his customers. As a result of this conduct, Harris willfully violated Section 10(b) of the Exchange Act and Rule 10b-5, and FINRA Rules 2020 and 2010. The findings also stated that Harris did not disclose to his firm the activities in which he engaged that led to the \$350,000 fee or that he received the fee.

This matter has been appealed to the U.S. Court of Appeals for the Second Circuit. The bar is in effect pending review. ([FINRA Case #2009019108901](#))

**Miguel Angel Hernandez** ([CRD #4733002](#), El Paso, Texas) submitted an AWC in which he 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 he obtained \$25,000 in cash from an elderly customer under false pretenses and converted those funds for personal use. The findings stated that after this conduct was discovered, Hernandez repaid the customer the entire \$25,000. ([FINRA Case #2015045623201](#))

**Rani Tarek Jarkas** ([CRD #2642904](#), San Francisco, California) was barred from association with any FINRA member in any capacity. The sanction was sustained by the SEC following appeal of a NAC decision. Jarkas' bar sanction was based on the findings that Jarkas failed to appear before FINRA for on-the-record testimony on two occasions. The SEC also found that that Jarkas allowed his member firm to conduct a securities business without maintaining sufficient net capital on multiple dates. His own missteps primarily caused the net capital violations. Jarkas instructed an individual to trade securities in the firm's average price account that were not customer orders, but instead were proprietary trades. Yet, the firm had insufficient net capital and was not approved to conduct proprietary trading. The firm also failed to reflect the Internal Revenue Service (IRS) outstanding tax liabilities against Jarkas and the firm in its net capital computation and the Financial and Operational Combined Uniform Single (FOCUS) report filings for two quarters, in violation of the net capital rule. Jarkas also failed to file a continuing membership application for approval of a material change in business operations, as required by NASD Rule 1017. ([FINRA Case #2009017899801](#))

**Robert Joseph Kerrigan Sr.** ([CRD #268516](#), Scottsdale, Arizona) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Kerrigan consented to the sanction and to the entry of findings that he refused to provide FINRA with requested documents and information during an investigation into allegations that he participated in undisclosed private securities transactions and outside business activities. ([FINRA Case #2015047151401](#))

**Michel Rene Lavelanet** ([CRD #2832739](#), Naugatuck, Connecticut) was assessed deferred fines totaling \$20,000 and suspended from association with any FINRA member in any capacity for six months and three months. The suspensions shall run consecutively. The sanctions were based on findings that Lavelanet willfully failed to timely amend his Form U4 to disclose federal tax liens and state tax warrants filed against him totaling \$382,490.69. The findings stated that Lavelanet made a false attestation on his member firm's annual compliance questionnaire as to whether any events had occurred that would have required him to update his Form U4.

The suspensions are in effect from May 23, 2016, through February 22, 2017. ([FINRA Case #2014042547601](#))

**Hae Young Lee (CRD #6156655, Springfield, Virginia)** submitted an AWC in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Lee consented to the sanction and to the entry of findings that she electronically submitted to the insurance company affiliated with her member firm an application for a whole life insurance policy on behalf of a customer who had not approved the application. The findings stated that Lee electronically signed the customer's name on the application without the customer's knowledge or permission. The customer was charged for the policy, which the insurance company has since refunded. ([FINRA Case #2015047604301](#))

**Jonothon Michael Lieberman (CRD #2237428, Woodbury, New York)** submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Lieberman consented to the sanction and to the entry of findings that he refused to provide documents and information, appear for on-the-record testimony, and cooperate with a FINRA investigation concerning various potential sales practice violations. ([FINRA Case #2016049081401](#))

**Lucas James Lopez (CRD #6370981, Eureka, Illinois)** submitted an AWC 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, Lopez consented to the sanctions and to the entry of findings that he willfully failed to timely disclose a non-investment-related felony charge and subsequent guilty plea and conviction on his Form U4; and as a result, continued to be associated with his member firm for approximately nine months while he was subject to statutory disqualification.

The suspension is in effect from June 6, 2016, through December 5, 2016. ([FINRA Case #2015047774401](#))

**Larry Eugene Lucco (CRD #1711678, Highland, Illinois)** submitted an AWC 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, Lucco consented to the sanctions and to the entry of findings that he willfully failed to timely amend his Form U4 to disclose that he was the subject of IRS tax liens. The findings stated that one of the liens has been satisfied and released. Lucco did not disclose this lien on his Form U4 until an internal review by his member firm revealed that the lien had never been disclosed. Moreover, Lucco provided false information to the firm by stating on annual compliance questionnaires that he had reviewed his Form U4 and that it was accurate and complete.

The suspension is in effect from May 16, 2016, through September 15, 2016. ([FINRA Case #2014041898501](#))

**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 SEC affirmed the sanctions following an appeal of a NAC decision. The sanctions were based on findings that McCune willfully failed to timely amend his Form U4 to disclose a bankruptcy, federal tax liens and a state tax lien filed against him. The findings stated that despite receiving notice of these reportable events, McCune failed both to inform his member firm and to make timely amendments to his Form U4.

This matter has been appealed to the U.S. Court of Appeals for the Tenth Circuit, and the sanctions are not in effect pending review. ([FINRA Case #2011027993301](#))

**David Michael Miller** ([CRD #5461431](#), Columbus, Ohio) was barred from association with any FINRA member in any capacity, required to pay a total of \$799,161.07, plus interest, in restitution to customers, and required to disgorge to FINRA a fine of \$15,161.54, plus interest. The sanctions were based on findings that Miller failed to conduct reasonable diligence before recommending UITs to his customers, and thus failed to have reasonable grounds for believing his recommendations were suitable for them. The findings stated that Miller made unsuitable recommendations of UIT purchases totaling more than \$5.3 million in customer accounts, but did not undertake reasonable diligence to ensure he adequately understood the features and risks of the UITs before recommending them, causing his customers to lose money. Miller negligently misrepresented and failed to disclose material facts to customers in connection with their purchases of UITs, and acted negligently in misrepresenting material facts to another customer when recommending the customer maintain his UIT holdings, because he failed to conduct reasonable diligence on the UITs. Miller never read a UIT prospectus before making his recommendations, and did not understand features of the UITs, including how they were valued at maturity, risks, volatility and use of leverage. Miller's unsuitable recommendations and misrepresentations and omissions caused his customers to lose a total of \$1,019,656.83. ([FINRA Case #2013036874901](#))

**Daniel Steuer Miller** ([CRD #5551362](#), Washington, DC) submitted an AWC 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, Miller consented to the sanctions and to the entry of findings that he participated in undisclosed private securities transactions involving individuals who collectively invested approximately \$560,000 in an outside investment. The findings stated that Miller's contacts with these individuals in connection with the investments were not made in the course of his employment with his member firm, and he did not provide the firm with written notice prior to participating in these private securities transactions.

The suspension is in effect from June 6, 2016, through December 5, 2016. ([FINRA Case #2015044394701](#))

**Douglas Scott Miller (CRD #1946240, Bowling Green, Ohio) and Gary Lee Rathbun (CRD #1084721, Wauseon, Ohio)** submitted an AWC in which they were both barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Miller and Rathbun consented to the sanctions and to the entry of findings that they participated in the sale of investments in limited liability companies to 187 clients of their registered investment adviser firm, who collectively invested approximately \$25.5 million in the limited liability companies, without providing written notice of their participation to their member firm. The investors in the limited liability company included 25 people who were also clients of Miller and Rathbun's FINRA member firm. The findings stated that Miller and Rathbun did not affirmatively provide written notice to the firm that they were participating in the sale of investments in the limited liability companies or seek the firm's permission to do so. The findings also stated that Miller and Rathbun failed to disclose to their firm that they collectively received more than \$600,000 in compensation from some of the limited liability companies for advising the companies regarding the companies' business activities, and failed to appropriately disclose investments they made personally or on behalf of family members in the limited liability companies to their firm. ([FINRA Case #2014041919401](#))

**Jennifer Rose Montgomery (CRD #5886497, Durant, Iowa)** submitted an AWC in which she was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 20 business days. Without admitting or denying the findings, Montgomery consented to the sanctions and to the entry of findings that she registered for and completed the necessary continuing education coursework on her supervisor's behalf using a password that her supervisor had given her.

The suspension was in effect from May 2, 2016, through May 27, 2016. ([FINRA Case #2015045341702](#))

**Jordan Michael Montgomery (CRD #5788771, Minneapolis, Minnesota)** submitted an AWC in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 20 business days. Without admitting or denying the findings, Montgomery consented to the sanctions and to the entry of findings that he did not complete the necessary continuing education coursework, yet he received notice that the requirements had been satisfied. The findings stated that Montgomery learned that his assistant had registered for and completed certain coursework on his behalf using a password that he had provided, in violation of his member firm's policies. However, at that time, Montgomery did not take the coursework himself, report his assistant's conduct, or take any other corrective action.

The suspension was in effect from June 6, 2016, through July 1, 2016. ([FINRA Case #2015045341701](#))

**David Perry Newman** ([CRD #1407201](#), Duncan, Oklahoma) submitted an AWC in which he was assessed a deferred fine of \$15,000, suspended from association with any FINRA member in any capacity for 15 months, and required to pay deferred disgorgement in the amount of \$89,500, plus interest. Without admitting or denying the findings, Newman consented to the sanctions and to the entry of findings that he participated in undisclosed private securities transactions by introducing his customers to an outside investment that turned out to be part of a fraudulent scheme perpetrated by another individual. The findings stated that Newman participated in these transactions without providing notice to, or receiving permission from, his member firm. Newman falsely certified to his firm that he had not participated in any private securities transactions. The findings also stated that Newman violated suitability obligations by recommending the investment to one of his customers without conducting adequate due diligence. Instead, Newman relied solely on the representations made by the individual perpetrating the fraudulent scheme.

The suspension is in effect from June 6, 2016, through September 5, 2017. ([FINRA Case #2015046649901](#))

**Michael Peter Pacult** ([CRD #1054517](#), Fremont, Indiana) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Pacult consented to the sanction and to the entry of findings that he failed to appear for FINRA on-the-record testimony in connection with its investigation into, among other things, the adequacy of certain disclosures contained in a notice of proposed merger issued to investors prior to the merger of managed futures funds issued by commodity pools owned and managed Pacult. ([FINRA Case #2014042830301](#))

**Christopher John Pierce** ([CRD #5143454](#), Pottstown, Pennsylvania) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Pierce consented to the sanction and to the entry of findings that he converted \$1,380 from a customer's account for his personal use by issuing and using a debit card against the account, without the customer's knowledge or consent. The findings stated that Pierce made an unauthorized withdrawal of \$1,380 from a second customer's account and deposited the funds into the first customer's account in an effort to conceal his misconduct. ([FINRA Case #2016049391101](#))

**Ali Radfar** ([CRD #5145954](#), New York, New York) submitted an AWC in which he 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, Radfar consented to the sanctions and to the entry of findings that he participated in a private securities transaction by pooling \$30,000 of his personal funds, \$40,000 of another registered individual's personal funds, and a collective \$230,000 from other individuals whose investment he solicited or facilitated, and invested the \$300,000 in an application-based game company. The findings stated that the investment was made through outside investment vehicles that were also formed by Radfar and the other registered individual.

Radfar failed to provide his member firm with written notice of his participation in the private securities transaction or receive the firm's approval prior to participating in it.

The suspension is in effect from June 6, 2016, through September 5, 2016. ([FINRA Case #2015045182301](#))

**James Michael Riva** ([CRD #1301167](#), Olive Branch, Mississippi) submitted an AWC in which he was assessed a deferred fine of \$5,000 and was suspended from association with any FINRA member in all capacities for six months. Without admitting or denying the findings, Riva consented to the sanctions and to the entry of findings that he willfully failed to timely amend his Form U4 to report two civil judgments and 10 state tax liens, and willfully failed to amend his Form U4 to report another civil judgment and tax lien.

The suspension is in effect from May 16, 2016, through November 15, 2016. ([FINRA Case #2014041875301](#))

**Gary Mitchel Schenk** ([CRD #2536220](#), Mt. Laurel, New Jersey) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 18 months. Without admitting or denying the findings, Schenk consented to the sanctions and to the entry of findings that he forged his estranged wife's signature on a form seeking a loan against her variable universal life policy. The findings stated that before the forgery was detected and before the loan funds had been disbursed, Schenk called the insurance company and attempted to cancel the loan. Schenk did not receive any funds from the policy.

The suspension is in effect from June 6, 2016, through December 5, 2017. ([FINRA Case #2016049044401](#))

**Trent Whitford Schneiter** ([CRD #3175324](#), Austin, Texas) submitted an Offer of Settlement in which he was fined \$7,500, suspended from association with any FINRA member in any capacity for one month and suspended from association with any FINRA member in any principal capacity for three months. Without admitting or denying the allegations, Schneiter consented to the sanctions and to the entry of findings that he failed to adequately supervise a registered representative of his member firm. The findings stated that Schneiter, a supervising principal and compliance officer in charge of alternative investments at the firm, failed to adequately supervise the registered representative's due diligence for private placement securities offerings and did not conduct his own due diligence of the alternative investment. The findings also stated that Schneiter failed to provide prompt written notice to the firm that he owned a 5 percent interest in the general partner of the private placement, and also was the CCO of the general partner.

The suspension in any capacity is in effect from June 20, 2016, through July 19, 2016. The suspension in any principal capacity will be in effect from July 20, 2016 through October 19, 2016. ([FINRA Case #2012033286901](#))

**William John Scholander** ([CRD #2938044](#), Brooklyn, New York) was barred from association with any FINRA member in any capacity. The SEC sustained the sanction following appeal of a NAC decision. The sanction was based on findings that Scholander fraudulently omitted material facts when soliciting purchases of securities, and engaged in outside business activities without providing his member firm with prompt written notice. The findings stated that in connection with the sale of \$961,825 worth of a corporation's securities, Scholander failed to disclose material facts to customers, in that he and another individual received a \$350,000 fee for advisory services from the corporation and that he had a business relationship with the corporation. Scholander must have known that both the payment and his ongoing business relationship with the corporation gave him obvious conflicts of interest that had the potential to influence his decision of what securities to recommend to customers. As a result of this conduct, Scholander willfully violated Section 10(b) of the Exchange Act and Rule 10b-5, and FINRA Rules 2020 and 2010. The findings also stated that Scholander did not disclose to his firm the activities in which he engaged that led to the \$350,000 fee, or that he and the other individual received the fee. ([FINRA Case #2009019108901](#))

**James Parker Scullin** ([CRD #1577362](#), Miami, Florida) submitted an AWC in which he was assessed a deferred fine of \$15,000 and suspended from association with any FINRA member in any capacity for nine months. Without admitting or denying the findings, Scullin consented to the sanctions and to the entry of findings that he placed an unauthorized trade in a customer's account. The findings stated that Scullin did not have discretionary authority for any of the customer's accounts. Scullin placed the trade of over \$5 million without informing the individuals with authority to place trades in the account or seeking their authorization. When one of the individual's with authority over the account questioned the trading activity in the account, Scullin concealed the unauthorized trade. When Scullin's member firm questioned him about the trade, he initially concealed the fact that it was unauthorized, but later admitted to the firm that the trade was not authorized. The firm later reversed the trade.

The suspension is in effect from June 6, 2016, through March 5, 2017. ([FINRA Case #2014043554601](#))

**Edward Raymond Segur III** ([CRD #3040824](#), New York, New York) submitted an AWC in which he was fined \$7,500 and suspended from association with any FINRA member in any capacity for 30 days. Without admitting or denying the findings, Segur consented to the sanctions and to the entry of findings that he opened and traded in an outside securities account in his wife's name without giving written notice to his member firm. The findings stated that the firm's WSPs required its registrants to notify the firm, in writing, before opening an outside securities account. The findings also stated that Segur exercised discretion by accepting orders from a customer's husband without the customer's written authorization. The customer's husband's name was not on the account. Further, Segur's firm never accepted the account as a discretionary account.

The suspension is in effect from June 20, 2016, through July 19, 2016. ([FINRA Case #2015044591701](#))

**Winnie Lynn Short (CRD #2243627, Nashville, Tennessee)** submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Short consented to the sanction and to the entry of findings that he failed to ensure that a charitable foundation received funds it was due from a client's annuity; and instead, Short retained the funds for the client's estate and, ultimately, his personal benefit. The findings stated that a client of Short's executed a will naming him executor of her estate and leaving two-fifths of her residuary estate to him. When the client passed away, Short was appointed executor. One of the assets the client held at the time of her death was an annuity worth approximately \$102,000. Pursuant to a beneficiary designation form, 90 percent of the annuity was to go to the local charitable foundation, which was also a customer of his member firm, and 10 percent was to go to the client's estate. After Short submitted a claim form for the annuity, the annuity company sent the client's estate a check for the full amount of the proceeds from the annuity and all of the funds were deposited into the estate's account at the firm. The charitable foundation did not receive its portion of the annuity, approximately \$92,000. As a result, when the residue of the estate was distributed, Short received more than \$30,000 in additional funds to which he was not entitled. When the foundation later asked Short about the annuity, he falsely stated that the client had removed the foundation as a beneficiary. ([FINRA Case #2011030221201](#))

**Stephen Marc Silver (CRD #5941173, Bondi, Australia)** submitted an Offer of Settlement in which he was assessed a deferred fine of \$10,000, suspended from association with any FINRA member in any capacity for six months, and required to pay deferred disgorgement of \$40,000, plus interest, for selling compensation received. Without admitting or denying the allegations, Silver consented to the sanctions and to the entry of findings that he failed to provide written or any other notification of his participation in private securities transactions to his member firm at any time. The findings stated that the gross proceeds of these transactions exceeded \$6 million, and Silver received \$200,000 in compensation for his participation. Silver participated in the private securities transactions by facilitating the sale of shares of an Australian gold mining company to a Singapore-based gold company.

The suspension is in effect from May 16, 2016, through November 15, 2016. ([FINRA Case #2013037629301](#))

**Sally Song (CRD #5773736, New York, New York)** submitted an AWC in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Song consented to the sanction and to the entry of findings that she failed to provide FINRA with requested documents and information during the course of its investigation into allegations that she violated her member firm's policy with respect to the use of her corporate credit card. ([FINRA Case #2016048659601](#))

**Francisco Javier Sumavielle** ([CRD #2241819](#), Ridgewood, New Jersey) submitted an AWC in which he was assessed a deferred fine of \$12,500 and suspended from association with any FINRA member in any capacity for seven months. Without admitting or denying the findings, Sumavielle consented to the sanctions and to the entry of findings that he borrowed a total of \$129,912 from two customers without obtaining his member firm's pre-approval of the loans. The findings stated that Sumavielle willfully failed to amend his Form U4 to disclose a \$34,761 judgment.

The suspension is in effect from May 30, 2016, through December 29, 2016. ([FINRA Case #2015044025401](#))

**Danny Morris Thomas** ([CRD #3056096](#), Conway, Arkansas) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Thomas consented to the sanction and to the entry of findings that he failed to appear for FINRA on-the-record testimony in connection with an investigation into allegations that he failed to disclose or timely disclose multiple tax liens on his Form U4. ([FINRA Case #2015047087001](#))

**Robert Turpin** ([CRD #1063249](#), Phoenix, Arizona) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Turpin consented to the sanction and to the entry of findings that he failed to provide FINRA with requested documents and information during the course of an investigation into allegations that he participated in the sale of private securities transactions, and engaged in undisclosed outside business activities. ([FINRA Case #2015046864301](#))

**Lizbeth Gotuaco Ty** ([CRD #4737319](#), Sugarland, Texas) submitted an AWC in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Ty consented to the sanction and to the entry of findings that she failed to provide FINRA with requested documents and information during the course of an investigation into allegations that she sold unregistered securities. (FINRA Case #2016049315001)

**Joshua John Walters** ([CRD #4206899](#), Bowling Green, Kentucky) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 45 days. Without admitting or denying the findings, Walters consented to the sanctions and to the entry of findings that he utilized a Web-based personal email account to conduct member firm-related business. The findings stated that Walters used this personal email account to communicate on various business-related subjects, such as representatives' sales performance and evaluations, office leases and the hiring and registration of representatives. The majority of these business-related communications were incoming messages Walters received. The firm's management had not approved the use of this email account, and the firm did not retain or preserve the emails contained therein, causing the firm to fail to comply with its recordkeeping and supervisory obligations.

The suspension is in effect from June 6, 2016, through July 20, 2016. ([FINRA Case #2013035039102](#))

**Larry Rick Weinbaum** ([CRD #2671457](#), Manalapan, New Jersey) submitted an AWC 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, Weinbaum consented to the sanctions and to the entry of findings that he willfully failed to amend his Form U4 to disclose a bankruptcy petition and federal tax liens.

The suspension is in effect from June 6, 2016, through December 5, 2016. ([FINRA Case #2015045735901](#))

**Blair Alexander West** ([CRD #2647767](#), Southampton, New York) was barred from association with any FINRA member in any capacity. The U.S. Court of Appeals for the Second Circuit denied West's petition for review and affirmed the sanction and findings imposed in the SEC Order. The sanction was based on findings that West misused a client's funds for his personal and business expenses. The findings stated that when West took the funds, he told his client and another party to the transaction that the funds would be held in escrow until closing. Contrary to this representation, as soon as West received the funds, he used them to pay his personal expenses. The findings also stated that West caused his member firm to accept an investment banking fee before he was entitled to it under the terms of the investment banking agreement. ([FINRA Case #2009018076101](#))

**James Dozier Whelan** ([CRD #872806](#), Annapolis, Maryland) submitted an Offer of Settlement 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 allegations, Whelan consented to the sanctions and to the entry of findings that he willfully failed to timely amend his Form U4 to disclose tax liens filed by the IRS and the State of Maryland Comptroller's Office totaling approximately \$835,000.

The suspension is in effect from June 20, 2016, through August 18, 2016. ([FINRA Case #2014041510702](#))

**Justin Kerry Wine** ([CRD #4088317](#), Aspen, Colorado) submitted an AWC in which he was fined \$12,500 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, Wine consented to the sanctions and to the entry of findings that he participated in a private securities transaction with a company by introducing and recommending an investment in it to customers, one of whom ultimately invested in the company, without providing prior written notice to his member firm. The findings stated that Wine also engaged in outside business activities with another company by assisting it in its attempts to secure a small business loan or alternative funding without providing prior written notice of his affiliation and activities with it to his firm. As part of those efforts, Wine introduced and recommended certain short-term loans to customers, some of whom ultimately entered into demand notes pursuant to which the

customers loaned a total of \$125,000 to the company. The findings also stated that Wine failed to timely amend his Form U4 to disclose a short sale and subsequent compromise.

The suspension is in effect from June 6, 2016, through August 5, 2016. ([FINRA Case #2012033934201](#))

**Andrew Todd Yocum** ([CRD #4590723](#), Ocala, Florida) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Yocum consented to the sanction and to the entry of findings that he refused to appear for FINRA on-the-record testimony in connection with an investigation into whether he effected unauthorized transactions, exercised discretion without written authorization, and recommended unsuitable concentrated purchases of energy sector securities to senior investors. ([FINRA Case #2015048065701](#))

**Lance Jeffrey Zieseemer** ([CRD #2342087](#), Waconia, Minnesota) submitted an AWC in which he was assessed a deferred fine of \$7,500, suspended from association with any FINRA member in any capacity for three months and ordered to pay deferred disgorgement of commissions received in the amount of \$38,889, plus interest. Without admitting or denying the findings, Zieseemer consented to the sanctions and to the entry of findings that he implemented a trading strategy and made unsuitable recommendations to customers to switch from UITs to other UITs after holding the investments for a short time period. The findings stated that Zieseemer's member firm's procedures in place at the time required him to obtain a switch letter signed by the customer before selling any UIT and purchasing another UIT that carried a sales charge. Although all of the customers' short-term UIT trades fell into this category, Zieseemer failed to obtain switch letters for any of them. These short-term UIT transactions resulted in approximately \$160,000 in combined net losses for the customers. In addition, the customers paid total commissions of \$64,815 on these transactions, of which Zieseemer received \$38,889.

The suspension is in effect from May 16, 2016, through August 15, 2016. ([FINRA Case #2013036524903](#))

## Individuals Fined

**Eric N. Zoller** ([CRD #4795542](#), New York, New York) submitted an AWC in which he was fined \$5,000. Without admitting or denying the findings, Zoller consented to the sanction and to the entry of findings that while registered with his member firm, he purchased shares in an initial public offering in a disclosed personal brokerage account he held at another firm. The findings stated that Zoller sold all of the shares for a loss. ([FINRA Case #2016048854601](#))

## 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, 2016. 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*.

**Meyers Associates, L.P. ([CRD #34171](#), New York, New York) and Bruce Meyers ([CRD #1045447](#), New York, New York)**. The firm was fined a total of \$700,000. Meyers was fined a total of \$75,000 and barred from association with any FINRA member in any supervisory or principal capacity. The sanctions were based on findings that the firm and Meyers, its principal, sent, or caused to be sent, misleading and unbalanced advertising materials via email to prospective investors. The findings stated that Meyers' emails were not fair and balanced because he failed to adequately disclose numerous material facts about a company. In many emails, Meyers made exaggerated and unwarranted claims about the company's prospects in relation to a medical drug and about the company's shares trading in the first quarter of 2011. Meyers failed to provide a factual basis for his claims in the emails. In some emails, Meyers failed to prominently disclose the firm's name and in all of them, he failed to disclose the firm's relationship with the company. The findings also stated that by failing to classify personal expenses as compensation to Meyers and another principal, the firm inaccurately classified the personal expenses in its general ledger, monthly FOCUS reports and annual reports in 2011. The misclassification was not willful or intentional. Rather, it was the result of carelessness and inadequate oversight and attention to detail at the firm.

The findings also included that the firm did not have an adequate system reasonably designed to ensure that it properly accounted for payments it made for the personal expenses, nor did it have reasonable WSPs for maintaining accurate books and records, with respect to the personal expenses. Meyers, as CEO and self-described "boss of the firm," should have ensured that the Chief Financial Officer (CFO) had created and maintained adequate WSPs. Meyers knew or should have known that his CFO was not spending sufficient time at the firm, and should have exercised more oversight of the CFO's activities. Instead, Meyers ignored the CFO's shortcomings because he did not value compliance at the firm. Meyers was responsible for the firm's failure to have reasonable WSPs.

FINRA found that the firm failed to establish and maintain a reasonable supervisory system, including WSPs, for the review by a registered principal of its incoming and outgoing electronic correspondence. The firm's WSPs failed to address how supervisors were to review electronic correspondence, and the firm also failed to document such reviews. The firm's WSPs failed to address how supervisors were to select electronic correspondence for review, how they were to review it, how often they needed to review it, and how they were to document their reviews. FINRA also found that the firm failed to report statistical and

summary information regarding written customer complaints to FINRA, and the firm failed to report more than half of the written customer complaints that it received. Many of the unreported customer complaints alleged serious sales practice abuses and unauthorized trading. The firm's management and supervisory personnel were aware of some of the customer complaints because the complaints were emailed or otherwise sent to them, but they nonetheless chose not to report them. The firm also failed to timely report statistical and summary information regarding written customer complaints to FINRA, reporting each of them over one year late. These reporting failures impacted FINRA's ability to timely investigate the complaints and to timely identify any trends at the firm. The firm's responses to FINRA's requests for information reflect that the firm did not understand and appreciate its complaint-reporting obligations. In addition, FINRA determined that the firm's WSPs did not adequately address required areas of supervision of producing managers and transmittals of customer funds and securities. In addition, the firm's 2009 annual report regarding its supervisory control system did not adequately summarize the procedures used to test and verify the efficacy of its system.

The allegation that the firm and Meyers offered to sell securities when no registration statement was in effect for those securities and no exemption from registration applied was dismissed. The allegations that the firm and Meyers created and maintained inaccurate books and records and that they falsified IRS tax forms were also dismissed. In addition, the allegation that the firm failed to file a private placement memorandum for another offering with FINRA at or prior to the first time the document was provided to any prospective investor was dismissed prior to the hearing.

This matter has been appealed to the NAC and the sanctions are not in effect pending review. ([FINRA Case #2010020954501](#))

**Shashishekhar Doni (CRD #5095109, Forest Hills, New York)** was fined a total of \$12,500 and suspended from associating with any FINRA member in any capacity for two years. OHO imposed the sanctions following remand of a NAC decision. The sanctions were based on findings that Doni engaged in unethical conduct involving conversion of a computer code by intentionally copying to his personal computer a confidential and proprietary computer source code belonging to his former member firm and using it without authorization for his own benefit in his work at his new member firm. Doni took the computer code for his own convenience rather than for personal gain. The findings stated that contrary to his supervisor's explicit instructions not to do so, Doni deleted his old firm's code from his new firm's system in an attempt to conceal his misconduct.

FINRA appealed this matter with respect to the sanctions ordered for conversion. Doni cross-appealed the matter. The sanctions are not in effect pending the review. ([FINRA Case #2011027007901](#))

**Ahmed Abdelmawla Gadelkareem** ([CRD #2815685](#), Brooklyn, New York) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Gadelkareem made abusive, intimidating and threatening communications to various individuals at his former member firm. The findings stated that following termination from the firm, Gadelkareem embarked upon an extended campaign of repeated phone calls, email communications, and other harassing and threatening conduct directed towards individuals at the firm. Gadelkareem repeatedly directed vulgar and profane insults at his intended targets, and impersonated a police detective and a FINRA investigator to make baseless threats of adverse repercussions and consequences. Gadelkareem made unfounded allegations of fraud against the firm to the media and undermined business relationships between the firm and an investor by making unsubstantiated charges. Gadelkareem also lodged complaints against the firm's attorney with the New York City Bar Association and forwarded those complaints to employees of the firm to further harass them.

The decision has been appealed to the NAC and the sanction is not in effect pending review. ([FINRA Case #2014040968501](#))

## 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 these allegations in the complaint.

**TradeSpot Markets Inc.** ([CRD #29683](#), Davie, Florida) and **Mark Bedros Beloyan** ([CRD #1392748](#), Davie, Florida) were named respondents in a FINRA complaint alleging that the firm, acting through Beloyan—its President, Chief Operating Officer and owner—and another registered representative, recommended penny stocks and engaged in penny stock transactions without complying with the requirements enumerated under Section 15(h) and Rule 15g-9 of the Exchange Act. The complaint alleges that in connection with penny stock transactions through the firm, Beloyan sent customers a customer suitability statement for their review and signature without first documenting an affirmative determination of suitability on the document, as required under Rule 15g-9. As a result, the firm willfully violated Section 15(h) of the Exchange Act Rule 15g-9. The complaint also alleges that the firm and Beloyan falsified records by changing the date next to Beloyan's signature on each customer suitability statement for a customer. For each of the documents, the original date next to Beloyan's signature reflected a date later than the date next to the customer signature on the agreement-to-purchase form. For each of the customer suitability statements, Beloyan crossed out or otherwise altered the original

date to reflect a new date that was earlier than the date appearing next to the customer signature on the corresponding agreement-to-purchase form. The complaint further alleges that the firm, acting by and through Beloyan, failed to maintain accurate books and records in connection with its penny stock documents, and as a result, the firm willfully violated Section 17(a) of the Exchange Act and Rule 17a-4. The firm, acting through Beloyan, created and maintained incorrectly prepared customer suitability statements and created and incorrectly prepared agreement to purchase forms for customers. In addition, the complaint alleges that the firm's WSPs were deficient in connection with the penny stock rules and that Beloyan was responsible for implementing and updating the firm's WSPs manual. ([FINRA Case #2013037033101](#))

**Wedbush Securities Inc. (CRD #877, Los Angeles, California)** was named a respondent in a FINRA complaint alleging that it put customer assets at risk in disregard of its obligations under the Customer Protection Rule. The complaint alleges that the firm created or increased deficits in the number of securities required to be in the firm's possession or control, which put approximately 100,000 shares of stock worth approximately \$7 million at risk. The firm also failed to accurately calculate its customer reserve formula and adequately fund its customer reserve account in accordance with the Customer Protection Rule, which resulted in hindsight deficiencies totaling over \$200 million. As a result of its conduct, the firm willfully violated Section 15(c) of the Exchange Act and Rules 15c3-3(b) (1) and 15c3-3(e), and FINRA Rule 2010. The complaint also alleges that the firm failed to establish and maintain a supervisory system, including written procedures, reasonably designed to achieve compliance with both the possession and control requirement and the customer reserve requirements of the Customer Protection Rule. ([FINRA Case #2012033105901](#))

**Stephen Scott Brown (CRD #1799847, Rochester, New York) and James Peter Goetz Jr. (CRD #2826111, Rochester, New York)** were named respondents in a FINRA complaint alleging that Brown participated in private securities transactions and engaged in an outside business activity after providing incomplete or inaccurate disclosures to his member firm. The complaint alleges that Brown failed to disclose the full scope of his participation in the business of several private companies that he founded, that firm customers were also investors in the private companies in which he invested, and that customers were principals or directors of the private companies in which he invested. Brown falsely represented in compliance disclosures and in response to inquiries from firm compliance personnel relating to his private investments that his participation in the investment of the companies was passive, that firm customers were not also investors, and that customers were not principals or directors of the companies in which he invested. The complaint further alleges that Brown failed to accurately reflect the nature of his involvement with a private company by failing to seek permission to operate the company as an investment pool for non-family members, when he had disclosed to the firm that his engagement with the company was only as an investment vehicle for himself and family members. That disclosure became materially false when non-family members, including firm customers, invested in the company.

In addition, the complaint alleges that Brown disclosed his participation in a private company as a private securities transaction but failed to disclose it as an outside business activity, even though he was actively engaged in the company's business by handling its finances and holding voting rights, and firm customers were also investors in the company. The firm approved Brown's participation in the company only as a passive investment that did not involve firm customers, and the firm did not approve Brown's engagement in the company as an outside business activity. Moreover, the complaint alleges that Brown directed a client associate to alter the name of the payee on a check request with the intent to circumvent the firm's Office of Foreign Asset Control (OFAC) compliance system. As a result, the firm's OFAC system did not flag the altered check, and the request was processed and the check was issued. Furthermore, the complaint alleges that Goetz invested in the same private companies in which Brown had invested, and failed to give prior written notice to, and receive prior written permission from, his member firm before participating in these private securities transactions. The complaint also alleges that Goetz verbally sought authorization to invest in a private company and was expressly instructed by the firm's management not to do so because firm customers were investors in the company. Goetz nevertheless made the investment despite the denial of his request. ([FINRA Case #2014042690502](#))

**William Danny Chancellor** ([CRD #1277838](#), Madison, Mississippi) was named a respondent in a FINRA complaint alleging that he willfully failed to disclose a federal tax lien filed against him on his Form U4 with a member firm, and willfully failed to timely amend his Form U4 to disclose the federal tax lien and other liens with another member firm. The complaint alleges that Chancellor completed one of his firm's annual questionnaires, affirming that he read, understood, and was in compliance with the firm's policies requiring that his Form U4 be amended to disclose a qualifying event within 30 days, including a tax lien. ([FINRA Case #2014040750201](#))

**John Stuart Hudnall** ([CRD #4200298](#), Pacifica, California) was named a respondent in a FINRA complaint alleging that he participated in an undisclosed and unapproved private securities transaction outside of the regular course of his employment with his member firm without first providing written notice to the firm describing in detail the proposed transaction, his proposed role and whether he had received or may receive selling compensation for the transaction. The complaint alleges that Hudnall recommended and sold a Real Estate Investment Trust (REIT) investment to an elderly customer, which he split into two simultaneous transactions of \$40,000 and \$360,000. To circumvent his firm's supervisory review of such a large transaction of this kind, Hudnall executed the \$360,000 portion of the REIT investment for the customer directly with the REIT product sponsor and without providing the requisite prior written notice to his firm. The \$400,000 REIT Investment exceeded the firm's supervisory thresholds and thus, if fully disclosed to the firm, would have triggered additional supervisory review and likely would have been disapproved.

The complaint also alleges that Hudnall offered and paid monetary incentives to customers from his own personal funds to incent them to hold their fixed annuity contracts for at least a year before surrendering them, which enabled Hudnall to retain commissions he would have lost had the customers surrendered before the year was up. Hudnall made a promotional offer in which he promised to pay certain customers who purchased fixed annuities 1 percent annual interest if they held their fixed annuities for at least a year, when in fact this offer was not part of the fixed annuity product that he was selling. Hudnall concealed this sales promotion from his firm and masked the source of the funds paid to the customers, knowing that his firm would not have approved the promotion had he disclosed it. Hudnall did not disclose to his customers that the interest payments he promised to them would be paid, and ultimately were paid, from his personal funds, rather than the annuity issuer.

The complaint further alleges that Hudnall made an unsuitable recommendation for the sale of a variable annuity to a customer that failed to provide any material benefit, offered less flexibility than a traditional individual retirement account (IRA), was inconsistent with the customer's investment goal, represented a far smaller selection of investment options than a traditional IRA, incurred additional liquidity risk (associated with surrender fees), provided no tax deferral benefit (as the funds involved were already qualified), and involved no particular death protection benefit (given that the customer already had adequate life insurance). In addition, the complaint alleges that Hudnall submitted a response to a FINRA information request in which he answered "no" to the question of whether he had provided cashier's checks to any firm customer, when in fact he had provided cashier's checks to customers, not as an accommodation to respond to a misunderstanding but rather in fulfillment of the unapproved promotional offer. ([FINRA Case #2013036412601](#))

**Steven Ellsworth Larson** ([CRD #2422755](#), Nisswa, Minnesota) was named a respondent in a FINRA complaint alleging that he made numerous misstatements or omissions of material facts concerning the present values and safety of "church bonds"—bonds issued by religious organizations to construct or develop real property, and which are secured by first mortgages on the real property to be constructed or developed. The complaint alleges that Larson made these misstatements or omissions in order to mislead customers about the true value of their church-bond holdings, which were securities, to avoid confrontation with customers, and to prevent customers from liquidating their holdings or closing their accounts. By May 2013, most of the church bonds that Larson's customers held in their accounts had already gone into default, bankruptcy, forbearance or restructuring. Due to a decline in real-estate values, many of the church-bond issuers were underwater on their mortgages. Nonetheless, Larson represented to customers that their defaulted church bonds retained all or most of their original value and even, in many instances, significantly more than their original value. Larson knew or was reckless in not knowing that his statements and omissions in the church bond update about the church bonds and church-bond issuers were false and misleading, and that pricing reports provided to customers repeatedly and significantly inflated the values of his customers' church-bond holdings.

The complaint also alleges that when recommending the purchase side of each cross trade, Larson knowingly, willfully, or recklessly misrepresented or omitted material facts regarding the prices at which he recommended those purchases. In particular, Larson knew or was reckless in not knowing that the bonds involved in those cross trades should have been bought or sold only at significant discounts from par value, that the prices at which he recommended his customers buy the bonds were not reasonably related to the prevailing market prices or fair market values for the bonds, and that he recommended each purchase without exercising reasonable diligence to discover whether the purchasers could have obtained the bonds at more favorable prices. As a result, Larson violated Section 10(b) of the Exchange Act Rule 10b-5. The complaint further alleges that Larson knowingly and willfully withheld documents and information from FINRA in connection with its investigation into the outside business activities of a former registered representative of Larson's member firm, and the former registered representative's termination from the firm. Further, Larson signed and backdated several documents, which he then supplied and represented as genuine to the president of his firm, as well as to FINRA. Larson did this in order to create the false appearance that he had completed certain supervisory functions more than a year beforehand. Larson also knowingly misrepresented to FINRA, on the broker-dealer's behalf, that the documents were valid. ([FINRA Case #2014039174202](#))

**Jim Jinkook Seol (CRD #2876279, Lake Forest, California)** was named a respondent in a FINRA complaint alleging that he engaged in outside business activities and participated in private securities transactions without providing prior written notice to, or receiving written approval from, his member firm. The complaint alleges that Seol formed an outside corporation as its president and CEO, and through the corporation, solicited investments totaling \$100 million from foreign customers in a limited partnership that he also formed to serve as a qualifying investment facility under United States Citizenship Immigration Services' EB-5 Program. Seol did not provide prior written notice to or receive written approval from his firm concerning the creation of the outside corporation, the formation of the limited partnership, or his plans to introduce and recommend an investment in the limited partnership to potential investors. The complaint also alleges that in each of his annual compliance questionnaires, Seol falsely attested that he had disclosed all current outside business activities, and would abide by his firm's policies and procedures, including those relating to private securities transactions and the disclosure of outside business activities. In addition, Seol submitted his annual outside business activity disclosure form to his firm in which he specifically attested that he understood that he needed to request pre-approval before participating in any outside business activities or if he scope of his currently disclosed activity relating to the sales of certain insurance products changed. ([FINRA Case #2014039839101](#))

---

**Decision Dismissed**

OHO issued the following decision, which was appealed to the NAC. The findings made by the Hearing Panel were not affirmed, and the NAC has subsequently ordered that the decision be dismissed.

**Peter Julijis Auzers (CRD #832670)**  
 Lafayette, California  
 (May 23, 2016)  
 FINRA Case #2012032080301

---

**Firms Expelled for Failure to Pay Fines and/or Costs Pursuant to FINRA Rule 8320**

**Brookstone Securities, Inc. (CRD #13366)**  
 Lakeland, Florida  
 (May 12, 2016)  
 FINRA Case #2007011413501

**Midamerica Financial Services, Inc. (CRD #47351)**  
 Joplin, Missouri  
 (May 11, 2016)  
 FINRA Case #2014039194101

---

**Firms Suspended for Failure to Provide Information or Keep Information Current Pursuant to FINRA Rule 9552**

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

**ACN Securities Inc. (CRD #37645)**  
 New York, New York  
 (May 12, 2016)

**Avior Capital, LLC (CRD #44732)**  
 San Diego, California  
 (May 20, 2016)

---

**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.)

**Gordon W. Adamson (CRD #4608530)**  
 Mooresville, Indiana  
 (May 25, 2016)  
 FINRA Case #2015047915301

**Stephen R. Anders (CRD #5776082)**  
 Rockville, Maryland  
 (May 23, 2016)  
 FINRA Case #2015046615801

**Jonathan Arroyo (CRD #6212050)**  
 Naples, Florida  
 (May 2, 2016)  
 FINRA Case #2015048317901

**Alex Ernesto Batlle (CRD #2124129)**  
 San Mateo, California  
 (May 25, 2016)  
 FINRA Case #2015047755401

**James Frederick Brennan (CRD #821647)**  
 San Marino, California  
 (May 25, 2016)  
 FINRA Case #2015044328701

**Ruben Emilio Cardenas (CRD #5588441)**  
 Shady Shores, Texas  
 (May 23, 2016)  
 FINRA Case #20150477173001

**Jessica Alyssa Diaz (CRD #6074544)**  
 Phoenixville, Pennsylvania  
 (May 25, 2016)  
 FINRA Case #2015047894601

**Tameika Andrea Frinks (CRD #6260215)**  
 Davie, Florida  
 (May 2, 2016)  
 FINRA Case #2015047114401

**Ronald Fred Hanson (CRD #236517)**

Lyndhurst, Ohio  
(May 16, 2016)  
FINRA Case #2015044710301

**Daniel Helkowski III (CRD #2862593)**

Sewickley, Pennsylvania  
(May 20, 2016)  
FINRA Case #2015047245301

**Jose Alberto Huerta (CRD #6190114)**

Salt Lake City, Utah  
(May 25, 2016)  
FINRA Case #2015046323201

**Adrian Jablonski (CRD #5745344)**

Garden City, New York  
(May 11, 2016)  
FINRA Case #2015047016601

**Chad Lewis Jackson (CRD #6426461)**

Walworth, New York  
(May 2, 2016)  
FINRA Case #2015047477201

**Quyên Chi Loong (CRD #4231102)**

Rosemead, California  
(May 11, 2016)  
FINRA Case #2015046813901

**Elizabeth Grimaneza Looper  
(CRD #5534490)**

Wonder Lake, Illinois  
(May 25, 2016)  
FINRA Case #2015047703101

**Matthew R. Mizera (CRD #5802791)**

Chicago, Illinois  
(May 2, 2016)  
FINRA Case #2015047035101

**Lindsey Brooke Nelan (CRD #6388227)**

Ridgeland, Mississippi  
(May 2, 2016)  
FINRA Case #2015047096301

**Justin Lee Norris (CRD #5180300)**

Tucson, Arizona  
(May 25, 2016)  
FINRA Case #2015046303901

**Rafael Angel Ortiz (CRD #2534166)**

Kissimmee, Florida  
(May 25, 2016)  
FINRA Case #2015047805901

**Natalia Pesin (CRD #4507718)**

Staten Island, New York  
(May 23, 2016)  
FINRA Case #2015047313201

**Linda A. Rapp (CRD #6302949)**

Seekonk, Massachusetts  
(May 20, 2016)  
FINRA Case #2015047188401

**John M. Sayre (CRD #6305789)**

Indianapolis, Indiana  
(May 23, 2016)  
FINRA Case #2015046882101

**Tanvir M. Shah (CRD #6527916)**

Jackson Heights, New York  
(May 2, 2016)  
FINRA Case #2015047169201

**Brian Edward Shamash (CRD #6062586)**

Gurnee, Illinois  
(May 23, 2016)  
FINRA Case #2015047070101

**Keith Everett Sorrentino (CRD #4169531)**

Bayonne, New Jersey  
(May 11, 2106)  
FINRA Case #2015045911701

**Thomas Suarez (CRD #5645277)**

Dix Hills, New York  
(May 4, 2016)  
FINRA Case #2015047006301

**Michael John Tordone (CRD #2624326)**  
San Clemente, California  
(May 31, 2016)  
FINRA Case #2014041468601

**David Scott Whitesel (CRD #6053500)**  
Columbus, Ohio  
(May 23, 2016)  
FINRA Case #2015046882001

**David Lee Willis (CRD #3175087)**  
El Paso, Texas  
(May 23, 2016)  
FINRA Case #20150470535001

**Eugene Harold Wray (CRD #4640909)**  
Council Bluffs, Iowa  
(May 25, 2016)  
FINRA Case #2015047949901

---

**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.)

**Clay Emerson Hoffman (CRD #4371162)**  
Brunswick, Georgia  
(May 11, 2016)  
FINRA Case #2014041921901

**David William Locy (CRD #4682865)**  
Overland Park, Kansas  
(May 12, 2016)  
FINRA Case #2007011413501

**Antony Lee Turbeville (CRD #1721014)**  
Lakeland, Florida  
(May 12, 2016)  
FINRA Case #2007011413501

**Christopher Paul Wynne (CRD #4055280)**  
Chicago, Illinois  
(May 27, 2016)  
FINRA Case #2013035533701

---

**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.)

**David F. Bouchard (CRD #6487891)**  
Cranston, Rhode Island  
(May 23, 2016)  
FINRA Case #2016048906801

**Alina Brindusescu (CRD #4355448)**  
Los Angeles, California  
(May 23, 2016)  
FINRA Case #2015048346101

**Francisco Javier Camacho (CRD #6168235)**  
Cathedral City, California  
(May 9, 2016)  
FINRA Case #2016048509201

**Christopher Michael Cervino  
(CRD #2778817)**  
Franklin Lakes, New Jersey  
(May 16, 2016)  
FINRA Case #2014042949703

**David Glenn Gott (CRD #1915608)**  
Tipton, Iowa  
(March 14, 2016 – May 31, 2016)  
FINRA Case #2015047392001

**Israel Guzman (CRD #6373054)**  
Hawthorne, California  
(May 31, 2016)  
FINRA Case #2016049403701

**John Vernon Heath (CRD #2331052)**  
Bloomington, Minnesota  
(May 6, 2016)  
FINRA Case #2016049152501

**Steven Shane Horton (CRD #4745108)**

Glenwood, Iowa  
 (May 16, 2016)  
 FINRA Case #2016048435601

**Holly Hurley (ID #11060291)**

Derry, New Hampshire  
 (May 9, 2016)  
 FINRA Case #2016048831501

**Phillip Joseph Johnson (CRD #6114248)**

Flanders, New Jersey  
 (May 23, 2016)  
 FINRA Case #2015047802601

**Christos Angelo Kalatoudis (CRD #4888800)**

Oceanside, New York  
 (May 13, 2016)  
 FINRA Case #2015047385601

**David Richard Kerr III (CRD #5422704)**

Skaneateles, New York  
 (May 23, 2016)  
 FINRA Case #2015048207701

**Kenneth Joseph Kolquist (CRD #4997582)**

Duluth, Minnesota  
 (May 23, 2016)  
 FINRA Case #2015047359901

**Donald Lyons (CRD #5692011)**

Banning, California  
 (May 20, 2016)  
 FINRA Case #2015047852801

**Samuel Sylvanus McNinch IV  
(CRD #1319783)**

Mount Pleasant, South Carolina  
 (May 19, 2016 – June 23, 2016)  
 FINRA Case #2014041896502

**Krista Viola Milligan (CRD #5218081)**

Galt, California  
 (May 16, 2016)  
 FINRA Case #2016048755601

**Mercedes Molina (CRD #6534378)**

Saddle Brook, New Jersey  
 (May 31, 2016)  
 FINRA Case #2016048596701

**Kevin Michael Murphy (CRD #4020785)**

Phoenix, Arizona  
 (May 9, 2016)  
 FINRA Case #2016048549301

**Robert Isaac Newell (CRD #4842006)**

Las Vegas, Nevada  
 (May 23, 2016)  
 FINRA Case #20150479780001

**Andrew Scott Oliveri (CRD #6098853)**

Glastonbury, Connecticut  
 (May 9, 2016)  
 FINRA Case #2015047837601

**David Thomas Owen III (CRD #1105997)**

Hartville, Ohio  
 (May 13, 2016)  
 FINRA Case #2015047840501

**Kimberly Joyce Padgett (CRD #4982765)**

Belton, Missouri  
 (May 19, 2016)  
 FINRA Case #2015047910501

**Alfonso Papa (CRD #6016829)**

Allentown, Pennsylvania  
 (May 13, 2016)  
 FINRA Case #2016048730601

**Paul M. Pemberton (CRD #5777651)**

Indianapolis, Indiana  
 (May 16, 2016)  
 FINRA Case #2015048317101

**Claudia Patricia Phillips-Thompson  
(CRD #2844004)**

Carlsbad, New Mexico  
 (May 9, 2016)  
 FINRA Case #2015047907701

**Paris Marquis Rembert (CRD #6380738)**  
Chicago, Illinois  
(May 9, 2016)  
FINRA Case #2015048317201

**Dennis Kevin Smith (CRD #836628)**  
Leonardo, New Jersey  
(May 20, 2016)  
FINRA Case #2015047852802

**Barbara Jean Waters (CRD #2162078)**  
Woodbridge, New Jersey  
(April 7, 2016 – May 31, 2016)  
FINRA Case #2015047719501

---

**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.)

**Robert Joseph Altemus (CRD #4644089)**  
Centerport, New York  
(August 18, 2015 – May 5, 2016)  
FINRA Arbitration Case #14-02391

**Michael Britt Doyle (CRD #2163573)**  
Mill Valley, California  
(September 14, 2015 – May 4, 2016)  
FINRA Arbitration Case #11-04285

**Richard Lee Ewalt (CRD #1313906)**  
Mt. Airy, Maryland  
(May 26, 2016)  
FINRA Arbitration Case #15-02760

**John Fairfield (CRD #2246471)**  
Scottsdale, Arizona  
(May 23, 2016)  
FINRA Arbitration Case #14-01542

**George John Gilbert (CRD #2130158)**  
Tinley Park, Illinois  
(May 23, 2016)  
FINRA Arbitration Case #10-01778

**Brendan O'Connell (CRD #5280483)**  
Baltimore, Maryland  
(May 23, 2016)  
FINRA Arbitration Case #15-02650

**Michael Lawrence Oromaner (CRD #2857559)**  
Huntington, New York  
(May 10, 2016 – May 18, 2016)  
FINRA Arbitration Case #12-03310

**Warren Marc Rockmacher (CRD #2005652)**  
Trumbull, Connecticut  
(May 12, 2016)  
FINRA Arbitration Case #07-00345

**Terry Gerard Roussel (CRD #1096602)**  
Laguna Niguel, California  
(May 9, 2016)  
FINRA Arbitration Case #13-02865

**Jonathan Michael Sheklow (CRD #4906207)**  
Shelton, Connecticut  
(May 23, 2016)  
FINRA Arbitration Case #15-00742

## FINRA Sanctions MetLife Securities, Inc. \$25 Million for Negligent Misrepresentations and Omissions in Connection With Variable Annuity Replacements

### Largest FINRA Fine Relating to Variable Annuities

FINRA fined MetLife Securities, Inc. (MSI) \$20 million and ordered it to pay \$5 million to customers for making negligent material misrepresentations and omissions on variable annuity (VA) replacement applications for tens of thousands of customers. Each misrepresentation and omission made the replacement appear more beneficial to the customer, even though the recommended VAs were typically more expensive than customers' existing VAs. MSI's VA replacement business constituted a substantial portion of its business, generating at least \$152 million in gross dealer commission for the firm over a six-year period.

Replacing one VA with another involves a comparison of the complex features of each security. Accordingly, VA replacements are subject to regulatory requirements to ensure a firm and its registered representatives compare costs and guarantees that are complete and accurate. For investors in New York, a firm also must adhere to the disclosure requirements set forth in Regulation 60 (Reg. 60).

FINRA found that from 2009 through 2014, MSI misrepresented or omitted at least one material fact relating to the costs and guarantees of customers' existing VA contracts in 72 percent of the 35,500 VA replacement applications the firm approved, based on a sample of randomly selected transactions. For example:

- ▶ MSI represented to customers that their existing VA was more expensive than the recommended VA, when in fact, the existing VA was less expensive;
- ▶ MSI failed to disclose to customers that the proposed VA replacement would reduce or eliminate important features in their existing VA, such as accrued death benefits, guaranteed income benefits, and a guaranteed fixed interest account rider; and,
- ▶ MSI understated the value of customers' existing death benefits in disclosures mandated by Reg. 60.

Brad Bennett, FINRA Executive Vice President and Chief of Enforcement, said, "Variable annuities are complex and expensive products that are routinely pitched to vulnerable investors as a key component of their retirement planning. Firms engaging in this business must ensure that the information on the costs and benefits of these products provided to customers is accurate, and that their registered representatives are sufficiently trained to understand and explain the risks and complex features of what they are selling. These obligations take on even greater importance when a significant part of a firm's marketing effort involves switching customers out of existing annuities."

FINRA also found that MSI failed to ensure that its registered representatives obtained and assessed accurate information concerning the recommended VA replacements, and did not adequately train its registered representatives to compare the relative costs and guarantees involved in replacing one VA with another. MSI's principals did not consider the relative costs and guarantees of the proposed transactions. The firm's principals ultimately approved 99.79 percent of VA replacement applications submitted to them for review, even though nearly three quarters of those applications contained materially inaccurate information.

FINRA further found that MSI failed to supervise sales of the GMIB rider, the firm's bestselling feature for its VAs. The rider was marketed to customers (many of whom were already holding MetLife annuities) as a means of providing a guaranteed future income stream. The GMIB rider is complex and expensive—annual fees during the relevant period ranged from 1 percent to 1.5 percent of the VA's notional income base value. A frequently cited reason for MSI's recommendation of VA replacements was to allow a customer to purchase the GMIB rider on the new VA contract. Nevertheless, MSI failed to provide registered representatives and principals with reasonable guidance or training about the cost and features of the rider.

In addition, FINRA found that since at least 2009, firm customers have received misleading quarterly account statements that understate the total charges and fees incurred on certain VA contracts. Typically, the quarterly account statements misrepresented that the total fees and charges were \$0.00 when, in fact, the customer has paid a substantial amount in fees and charges.

In settling this matter, MSI neither admitted nor denied the charges, but consented to the entry of FINRA's findings.

#### FINRA Fines Stephens Inc. \$900,000 for Inadequate Supervision of Research Department "Flash" Emails

FINRA announced that it has censured Stephens Inc., of Little Rock, Arkansas, and fined the firm \$900,000 for inadequately supervising firm-wide internal "flash" emails sent by its research analysts to convey information about companies and industries the firm covered. These failures created the risk that the flash emails could potentially include material nonpublic information that might be misused by sales and trading personnel. Stephens will also cease distributing flash emails and will implement a plan to conduct a comprehensive review of its policies, procedures and training in the research area.

Stephens' firm-wide flash email program was designed as an expeditious way for research analysts to share publicly available news and insights regarding covered companies with its sales and trading personnel for discussion with firm customers interested in those companies. FINRA found that from at least August 2013 through January 2016, Stephens did not adequately supervise the content and dissemination of the flash emails, and

that the firm failed to establish, maintain, and enforce adequate written supervisory procedures concerning trading in connection with these flash emails. In addition, FINRA found instances of firm personnel forwarding flash emails marked “internal use only” to customers, or cutting and pasting the text of an internal-use email into a separate communication sent to a customer. In at least one instance, FINRA also found that content from an unapproved, draft research report was cut and pasted into a flash email. Although these practices were contrary to firm policy, FINRA found that the firm lacked effective monitoring or supervisory systems to detect or prevent them.

Brad Bennett, FINRA’s Executive Vice President and Chief of Enforcement, said, “The supervision of internal communications by research analysts to the sales force requires extreme vigilance given the possibility of revealing material nonpublic information in advance of published research. Today’s action reminds those firms that permit such communications of the need to supervise and monitor them, and to ensure that their controls protect against trading based on the information.”

In settling this matter, Stephens neither admitted nor denied the charges, but consented to entry of FINRA’s findings.

## FINRA Fines Raymond James \$17 Million for Systemic Anti-Money Laundering Compliance Failures

### Former AML Compliance Officer Fined and Suspended

FINRA announced that it has fined Raymond James & Associates, Inc. (RJA) and Raymond James Financial Services, Inc. (RJFS), a total of \$17 million for widespread failures related to the firms’ anti-money laundering (AML) programs. RJA was fined \$8 million and RJFS was fined \$9 million for failing to establish and implement adequate AML procedures, which resulted in the firms’ failure to properly prevent or detect, investigate, and report suspicious activity for several years. RJA’s former AML Compliance Officer, Linda L. Busby, was also fined \$25,000 and suspended for three months.

RJA and RJFS’ significant growth between 2006 and 2014 was not matched by commensurate growth in their AML compliance systems and processes. This left RJA and Busby, as RJA’s AML Compliance Officer from 2002 to February 2013, and RJFS unable to establish AML programs tailored to each firm’s business, and forced them instead to rely upon a patchwork of written procedures and systems across different departments to detect suspicious activity. The end result was that certain “red flags” of potentially suspicious activity went undetected or inadequately investigated. These failures are particularly concerning given that RJFS was sanctioned in 2012 for inadequate AML procedures and, as part of that settlement, had agreed to review its program and procedures, and certify that they were reasonably designed to achieve compliance.

Brad Bennett, FINRA's Executive Vice President and Chief of Enforcement, said, "Raymond James had significant systemic AML failures over an extended period of time, made even more egregious by the fact the firm was previously sanctioned in this area. The monitoring for suspicious transactions is an essential part of protecting our financial system and firms must allocate adequate resources to their AML compliance efforts. This case demonstrates that when there are broad-based failures within specific areas of responsibility, we will seek individual liability where appropriate."

During its investigation, FINRA found that the firms failed to conduct required due diligence and periodic risk reviews for foreign financial institutions, and that Busby failed to ensure that RJA's reviews were conducted. RJFS also failed to establish and maintain an adequate Customer Identification Program.

In concluding these settlements, Raymond James & Associates, Inc., Raymond James Financial Services, Inc., and Busby neither admitted nor denied the charges, but consented to the entry of FINRA's findings.

Busby's suspension is in effect from June 6, 2016, through September 5, 2016.

## **FINRA Files Complaint Charging Lawson Financial Corporation, CEO With Fraudulent Municipal Bond Sales, and Charging CEO With Misuse of Customer's Charitable Trust Funds**

### **Bonds Related to Charter School in Arizona and Two Assisted Living Facilities in Alabama**

FINRA announced that it has filed a complaint against Phoenix-based firm, Lawson Financial Corporation, Inc. (LFC), and Robert Lawson, the firm's President and Chief Executive Officer, charging them with securities fraud in connection with the sale of millions of dollars of municipal revenue bonds to customers. The complaint further charges Robert Lawson and Pamela Lawson, LFC's Chief Operating Officer, with self-dealing by abusing their positions as co-trustees of a charitable remainder trust and improperly using the trust funds to indirectly prop up the struggling offerings. Based on the transfers of millions of dollars from the charitable remainder trust account, the complaint also charges Robert Lawson with misuse of customer funds.

The municipal revenue bonds at issue in the complaint include: (1) a \$10.5 million bond offering in October 2014 for bonds relating to an Arizona charter school as underwritten by LFC and sold to LFC customers, as well as subsequent sales of these bonds to LFC customers in the secondary market; (2) secondary market bond sales to LFC customers in 2015 of earlier-issued municipal revenue bonds relating to the corporate predecessor of the same

Arizona charter school; and (3) secondary market sales to LFC customers between January 2013 and July 2015 of earlier-issued municipal revenue bonds concerning two different assisted living facilities in Alabama.

The complaint alleges that Robert Lawson and LFC were aware of financial difficulties faced by the municipal revenue bond conduit borrowers (the charter school in Arizona and the two assisted living facilities in Alabama) and fraudulently hid from LFC customers who purchased the bonds the material facts that the charter school and the two assisted living facilities were under financial stress. The complaint alleges that Robert Lawson and LFC carried out their fraudulent scheme by transferring millions of dollars from a deceased customer's charitable trust account to parties associated with the conduit borrowers to hide the financial condition of the bond borrowers and the risks posed to the municipal revenue bonds. In particular, the complaint alleges that LFC and Robert Lawson hid from LFC customers who purchased the bonds the material fact that Robert Lawson—in his role as co-trustee of the charitable trust account, and with the knowledge of his wife Pamela Lawson—was improperly transferring millions of dollars of funds from the charitable remainder trust account to various parties associated with the bond borrowers when the borrowers were not able to pay their operating expenses and, for certain of the bonds, were not able to make the required interest payments on the bonds.