

Disciplinary and Other FINRA Actions

Firms Expelled, Individuals Sanctioned

North Woodward Financial Corp. (CRD® #104097, Birmingham, Michigan) and Douglas Allen Troszak (CRD #2219763, Birmingham, Michigan). The firm was expelled from FINRA® membership and Troszak was barred from association with any FINRA member in any capacity. The expulsion and bar were based on findings that the firm and Troszak failed to respond completely to FINRA requests for information and documents. The findings stated that the firm and Troszak failed to amend Troszak's Uniform Application for Securities Industry Registration or Transfer (Form U4) with material information about a federal tax lien that was filed against him. The National Adjudicatory Council (NAC) affirmed the sanctions related to the failure to respond and modified the Form U4 sanctions following an appeal of an Office of Hearing Officers (OHO) decision. For the Form U4 violation, the NAC determined it would be appropriate to suspend Troszak for 60 days and fine the firm and Troszak \$60,000, jointly and severally, but declined to do so in light of the bar and expulsion.

This matter has been appealed to the Securities and Exchange Commission (SEC), and the expulsion and bar are in effect pending review. ([FINRA Case #2010021303301](#))

Firms Fined, Individuals Sanctioned

Bruce A. Lefavi Securities, Inc. (CRD #10684, Salt Lake City, Utah) and Bruce Anthony Lefavi (CRD #1064893, Salt Lake City, Utah) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$75,000, of which \$15,000 is joint and several with Lefavi. Lefavi was suspended from association with any FINRA member in any principal capacity for 10 business days. Without admitting or denying the findings, the firm and Lefavi consented to the sanctions and to the entry of findings that Lefavi hosted a pre-recorded radio show, which constituted advertisements and retail communications that were not approved by a registered principal prior to broadcast, that was posted to the firm's website. The findings stated that some of the radio shows were not filed with FINRA's Advertising Department within the required timeframe and some failed to prominently disclose the member firm's name. All of the radio shows FINRA reviewed contained exaggerated, misleading, promissory and/or unwarranted statements, and failed to provide any discussion of the associated risks, limitations, or costs of the products or strategies discussed. Several radio shows included incomplete comparisons, as all material differences between investment options were not disclosed. Some of the radio shows contained improper performance projections, and some provided performance information about specific mutual funds and failed to comply with SEC Rule 482.

Reported for September 2014

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).

The findings also stated that handouts were posted to a website and sent to individuals who called into the radio show. Some of the handouts were not submitted to FINRA's Advertising Department within 10 days of first use; some provided exaggerated, misleading, promissory and/or unwarranted statements and claims/omission of material information; and one failed to provide a complete comparison between public real estate investment trusts (REITs) and non-traded REITs. The website contained statements that violated applicable rules and had postings that were not filed with FINRA's Advertising Department. The findings also included that certain items, such as client letters, handouts/brochures, workshop-related materials and mailers failed to obtain principal approval before use, and others failed to prominently disclose the member firm's name; contained exaggerated, misleading, promissory and/or unwarranted statements; and a REIT letter failed to disclose the risks and limitations associated with the REIT.

FINRA found that copies of a book Lefavi had written were given to clients and prospective clients, callers to the radio show, visitors to Lefavi's Facebook page and sold to the general public. Because certain chapters of the book concern registered investments both generally and specifically, the content of those chapters should have been filed with FINRA's Advertising Department. The book contained exaggerated, misleading, promissory, and/or unwarranted statements and claims, omissions of material information and incomplete comparisons. Even though several sections in the book identified specific mutual funds and mutual fund families, and provided performance information about specific mutual funds, the book failed to adhere to applicable requirements of SEC Rule 482.

FINRA also found that the Facebook page the firm utilized was not approved by signature or initial and date before use, and all static material posted to the page were not approved by a registered principal prior to use. Two billboards the firm utilized failed to disclose the member name and the relationship between the member and non-member. Both billboards used false, exaggerated, unwarranted, and/or misleading statements and claims. In addition, FINRA determined that during a broadcast of the radio show, Lefavi made a general solicitation for the purchases of equity units/interests in an offering, which were being sold by, among others, the firm. The statements Lefavi made during the radio show were designed to generate interest in and procure orders for the offering. These statements were not made to customers with whom the firm or Lefavi had a pre-existing and substantive relationship, but rather broadcasted indiscriminately to the general public. After making the statements on the radio show, the firm and Lefavi sold the offering to customers. Because the securities had lost their exemption from registration under Regulation D as a result of the general solicitation, the firm and Lefavi's sales were impermissible sales of unregistered securities.

The suspension was in effect from August 4, 2014, through August 15, 2014. ([FINRA Case #2013034965201](#))

Highland Financial, Ltd. ([CRD #25896](#), Johnstown, Pennsylvania) and Gordon Drummond Smith ([CRD #2006592](#), Johnstown, Pennsylvania). The firm was fined a total of \$25,000. Smith was barred from association with any FINRA member in any principal capacity, suspended from association with any FINRA member in any capacity for six months and ordered to requalify as a general securities representative. The sanctions were based on findings that the firm and Smith willfully failed to timely file currency transaction reports (CTRs) after receiving cash of approximately \$40,000 from a customer. After receiving the cash, Smith structured deposits in amounts of \$10,000 or less so that the banks at which the cash was deposited would not have to report the deposit to the Internal Revenue Service (IRS). The findings stated that after Smith received additional cash in excess of \$103,000 from the customer, he again structured deposits in increments of \$10,000 or less so that the banks at which the cash was deposited would not have to report the deposits to the IRS. Smith invested the funds in mutual funds for the benefit of the customer and her siblings. The findings also stated that Smith and the firm made improper use of the customer's funds when Smith deposited the customer's cash into accounts containing non-customer funds, thereby commingling the funds subjecting her funds to a risk of loss. The findings also included that the firm had anti-money laundering (AML) policies and procedures in place but failed to implement them. None of the firm's employees followed up on "red flags" raised by the receipt and structured deposits of the customer's cash. The firm's office manager suspected Smith was structuring deposits, yet did nothing to follow up.

The suspension will be in effect from September 15, 2014, through March 16, 2015. ([FINRA Case #2011025591601](#))

Source Capital Group, Inc. ([CRD #36719](#), Westport, Connecticut) and Russell William Newton ([CRD #1033369](#), New Canaan, Connecticut) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$100,000. Newton was fined \$10,000 and suspended from association with any FINRA member in any principal capacity for 20 days. Without admitting or denying the findings, the firm and Newton consented to the sanctions and to the entry of findings that the firm, through its branch office manager, sold or caused the sale of investments managed by an entity without adequately disclosing material information to investors. The findings stated that at times, the entity gave money to the branch office manager, which he used to pay the firm's representatives a \$2,000 monthly salary in advance of their draws. The entity's securities offering documents did not adequately disclose that the entity was indirectly compensating the firm's registered representatives through its branch office manager, which was a material omission. Newton was the designated supervisor of the branch office manager and the branch, and he failed to supervise the activities in the branch. Newton failed to adequately oversee the branch, and he improperly delegated supervision of the branch to the branch office manager. The findings also stated that to solicit investments in private offerings of oil and gas securities

by another entity, the firm, through two of its brokers, made exaggerated and unfounded promises in multiple emails to customers regarding the oil and gas interests to be acquired by the entity's partnerships.

The suspension was in effect from August 4, 2014, through August 23, 2014. ([FINRA Case #2008011771602](#))

Firm and Individual Fined

Vestech Securities, Inc. ([CRD #41409](#), Wichita, Kansas) and Earle Wood Evans III ([CRD #202874](#), Wichita, Kansas) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$15,000 and required to change its supervisory system, including its written supervisory procedures (WSPs), to require that all payments to the firm from any affiliated entity and all payments from it to any affiliated entity must be approved by the firm's Financial and Operations Principal (FINOP) before deposit into or disbursement from any account of the firm, no later than 10 days after the Notice of Acceptance of the AWC. Evans was censured and fined \$10,000.

Without admitting or denying the findings, the firm and Evans consented to the sanctions and to the entry of findings that to the firm had inadequate financial and accounting controls, including processes for tracking concessions and for ensuring appropriate communication between the firm and its offsite FINOP. The findings stated that these inadequacies led to repeated instances in which Evans initiated financial transactions that caused net-capital deficiencies during which the firm continued to conduct a securities business. In connection with its net capital deficiencies, the firm also failed to maintain accurate books and records. The findings also stated that the firm failed to develop a supervisory system and procedures that were adequate to address previous violations that FINRA identified in an examination. The firm did not have an adequate process for tracking its concessions and management-fee receivables. The firm instead relied on estimates that Evans provided, rather than on records of actual transactions. The firm did not effectively communicate its outstanding liabilities to its FINOP, who worked from another state. The FINOP was routinely unable to substantiate financial numbers the firm provided or to verify the accuracy of journal entries of deposits and withdrawals in the firm's accounting system. The firm's procedures for review and approval of email correspondence were also deficient. ([FINRA Case #2013035280501](#))

Firms Fined

Automated Trading Desk Financial Services, LLC ([CRD #103768](#), Mt. Pleasant, South Carolina) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$32,500. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it effected transactions in securities while a trading halt was in effect with respect to each of the securities. The findings stated that the firm failed to report the Related Market Center code for transactions to the FINRA/NASDAQ Trade Reporting Facility (FNTRF), and failed to report the correct Related Market Center code for transactions to the to FNTRF. ([FINRA Case #2011029280601](#))

Edward D. Jones & Co., L.P. ([CRD #250](#), St. Louis, Missouri) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$21,100 and ordered to pay \$9,784.25 plus interest, in restitution to customers. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that in six transactions for or with a customer, it failed to use reasonable diligence to ascertain the best inter-dealer market, and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions. The findings stated that in 10 transactions, the firm 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 #2011027686301](#))

Goldman, Sachs & Co. ([CRD #361](#), New York, New York) submitted a Letter of Acceptance, Waiver and Consent 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 accept or decline transactions in reportable securities in the FNTRF within 20 minutes after execution. ([FINRA Case #2012033321101](#))

Halcyon Cabot Partners, Ltd. ([CRD #32664](#), New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$7,500. 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 (OATSTM) on 176 business days. The findings stated that the firm did not qualify for exclusion from the OATS reporting requirements because it routed its orders through more than a single Reporting Member. ([FINRA Case #2013038874401](#))

J.P. Morgan Securities LLC ([CRD #79](#), New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$35,000 and required to report the transactions to the Trade Reporting and Compliance Engine® (TRACE®) that it failed to report. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that as managing underwriter, the firm failed to report new issue offerings in TRACE-eligible corporate debt securities to FINRA according to the time frames set forth in FINRA Rule 6760(c). The findings stated that the firm failed to report P1 transactions in TRACE-eligible securities to TRACE that it was required to report, failed to report the correct contra-party's identifier for P1 transactions in TRACE-eligible securities to TRACE, and failed to accurately report the market identifier for P1 transactions in TRACE-eligible securities to TRACE. The findings also stated that the firm failed to enforce its WSPs concerning reporting of P1 transactions in TRACE-eligible securities. ([FINRA Case #2012032507801](#))

J.P. Morgan Securities LLC ([CRD #79](#), New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$20,000 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 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, and the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to Rule 201(b) of Regulation SHO. The findings stated that the firm executed short-sale transactions and failed to report each of these transactions to the FNTRF with a short-sale modifier. ([FINRA Case #2011030748501](#))

LPL Financial LLC ([CRD #6413](#), Boston, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$30,000 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 execute orders fully and promptly. The findings stated that the firm transmitted reports to OATS that contained inaccurate, incomplete or improperly formatted data. Specifically, the reports contained inaccurate timestamps. The firm also failed to transmit ROEs to OATS, failed to show the correct order receipt time on the memorandum of brokerage orders, and failed to report S1 transactions in TRACE-eligible agency debt securities to TRACE within 15 minutes of the execution time. 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 or SEC rules. ([FINRA Case #2012031659001](#))

LWBJ Investment Services, LLC ([CRD #150606](#), West Des Moines, Iowa) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$5,000. A lower fine was imposed after considering, among other things, the firm's revenues 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 maintain adequate books and records. The findings stated that customers invested in a Regulation D offering for a client through the firm. The firm obtained only subscription agreements for the customers that contained some personal information, as well as confirming that these investors were accredited and understood the risks of the offering. The firm did not obtain other information from the customers, such as employment status, annual income, net worth and investment objectives. The findings also stated that the firm failed to establish and implement an AML compliance program (AMLCP) that was reasonably designed to achieve compliance with certain of the relevant portions of the Bank Secrecy Act and the implementing regulations thereunder. The firm failed to establish an AMLCP that included adequate procedures pertaining to its customer identification program (CIP) for customers who purchased Regulation D offerings. The firm also did not verify the identity of the customers through either documentary or non-documentary methods. ([FINRA Case #2012030436201](#))

Morgan Stanley Smith Barney LLC ([CRD #149777](#), Purchase, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$1,000,000, and required to conduct a review of its systems and written procedures used to supervise its Former Financial Advisor Program (FFAP) or similar program involving the payment of commissions to retired representatives. 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 written procedures to supervise the payment of continuing commissions to retired representatives that were reasonably designed to achieve compliance with Section 15(a) of the Securities Exchange Act of 1934 and NASD Rule 2420, and failed to detect widespread non-compliance with its existing procedures for the creation and maintenance of certain documentation required by a 2008 No-Action Letter issued by the SEC. The findings stated that the firm paid, under its FFAP and predecessor programs, more than \$100 million in commissions to former registered representatives who had retired. At the time of these payments, many of the individuals were not registered or associated with a registered firm. The payments were made under a program that allowed payments to unregistered, retired representatives in compliance with the No-Action Letter. The letter indicated that the SEC would not recommend an enforcement action if the conditions set out in the letter were met. The findings also stated that the firm did not have a section of its WSPs that addressed the payment of continuing commissions under the FFAP or predecessor programs, nor did the firm have any centralized method for supervising such payments. The firm failed to create or maintain the required retired representative certifications or customer letters for a significant portion of the retired representatives to whom it paid continuing commissions. The certifications and letters that the firm failed to create or maintain were necessary to comply with the terms of the 2008 No-Action Letter, and were necessary to permit the firm to detect whether the retired representatives were acting as unregistered brokers. The firm did not have an effective mechanism to determine whether those payments were being made in compliance with Section 15(a) of the Securities Exchange Act of 1934 and NASD Rule 2420. ([FINRA Case #2011029683301](#))

National Alliance Securities, LLC ([CRD #39455](#), Dallas, Texas) submitted a Letter of Acceptance, Waiver and Consent 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 transactions in TRACE-eligible securities to TRACE within 15 minutes of the execution time. ([FINRA Case #2013036894701](#))

Pierpont Securities LLC ([CRD #150696](#), Stamford, Connecticut) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$17,500. 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 time of trade execution for transactions in TRACE-eligible securitized products to TRACE, and failed to show the correct time of execution on the memoranda of brokerage orders. ([FINRA Case #2013035901201](#))

Quantlab Securities LP ([CRD #119955](#), Houston, Texas) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$17,500 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 establish, maintain, and enforce written policies and procedures that were reasonably designed to prevent trade-throughs of protected quotations in NMS stocks that do not fall within any applicable exception, and if relying on an exception, are reasonably designed to assure compliance with the terms of the exception. The findings 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, concerning anti-intimidation/coordination, sale transactions, other trading rules, OATS, books and records, Sub-Penny Rule, electronic communications and use of Multiple Market Participant Identifiers (MPIDs). The firm failed to provide documentary evidence that during one particular month, it performed the supervisory reviews set forth in its WSPs concerning best execution, trade reporting and sale transactions. ([FINRA Case #2012031657101](#))

Ridgeway & Conger, Inc. ([CRD #113055](#), New Woodstock, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$12,500 and required to address its supervisory violations. 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 securitized products to TRACE in a timely manner, and failed to report transactions in TRACE-eligible corporate debt securities to TRACE within 15 minutes of execution. The findings stated that during two months of the review period, the firm failed to enforce its WSPs, which provided that the firm would review TRACE Quality of Markets Report Cards on a monthly basis to confirm that the firm is properly reporting transactions in TRACE-eligible corporate debt securities. ([FINRA Case #2013035919801](#))

Samuel A. Ramirez & Company, Inc. ([CRD #6963](#), New York, New York) submitted a Letter of Acceptance, Waiver and Consent 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 maintain its minimum required net capital on two days.

The findings stated that the firm effected a corporate repurchase of a client's shares while under the mistaken belief that the client had engaged the firm to do so. The nature of the transaction required the firm to take significant haircuts. As a result, the firm fell below its net capital requirement, resulting in a deficiency of - \$5,649,632. The next day, the firm continued to conduct a securities business with a net capital deficiency while it liquidated the position it had taken the day before. ([FINRA Case #2013035266401](#))

StockCross Financial Services, Inc. (CRD #6670, Beverly Hills, California) submitted a Letter of Acceptance, Waiver and Consent 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 immediately publish a bid or offer that reflected the price and the full size of customer limit orders for over-the-counter (OTC) equity securities held by the firm that were at a price that would have improved the firm's bid or offer in such securities. ([FINRA Case #2012032342601](#))

Tradition Asiel Securities Inc. (CRD #28269, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$150,000 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 the firm had a fail-to-deliver position at a registered clearing agency in an equity security that was attributable to market-making activities, and did not close out the fail-to-deliver positions by purchasing or borrowing securities of like kind and quantity within the time frame prescribed by Rule 204(a)(3) of Regulation SHO. The findings stated that in instances involving equity securities, the firm accepted a short-sale order from another person, or effected a short sale for its own account, without first borrowing the security, or entering into a bona-fide arrangement to borrow the security, and had a fail-to-deliver position at a registered clearing agency in such security that had not been closed out in accordance with the requirements of paragraphs (a) and (b) of Rule 204 of Regulation SHO. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to Rule 204 of Regulation SHO, and the firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its WSPs concerning Rule 204 of Regulation SHO. ([FINRA Case #2011027689701](#))

TD Ameritrade Clearing, Inc. (CRD #5633, Omaha, Nebraska) submitted a Letter of Acceptance, Waiver and Consent 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 create and maintain a record that it had timely sent account records reflecting customers' changes to their investment objectives. The findings stated that following the implementation of a data center conversion and unbeknownst to the firm, the software and related automated process for notifying customers of investment-objective changes ceased to function properly when the firm transferred its data center. The data files containing new or updated customer suitability information

failed to route to the firm's printing vendor such that changes in customers' investment objectives were not sent to approximately 300,000 customers. A technology associate, while performing unrelated functions, discovered that suitability-related data was residing in an "archive file" located somewhere in the firm's routing hub system, and had not been routed to the firm's printing vendor. The findings also stated that although the firm had WSPs in place to supervise compliance with SEC Rule 17a-3(a)(17), the firm did not establish WSPs reasonably designed to monitor for and detect problems with the transmission of updated account information to customers. ([FINRA Case #2011030752701](#))

Wall Street Access ([CRD #10012](#), New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$7,500. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to immediately display a bid or offer that reflected the price and the full size of customer limit orders for OTC securities held by the firm that were at a price that would have improved the firm's bid or offer in such securities. ([FINRA Case #2013035513101](#))

Wells Fargo Advisors, LLC ([CRD #19616](#), St. Louis, Missouri) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$10,000 and ordered to pay \$5,032.12, plus interest, in restitution to customers. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it sold agency bonds to its customers and failed to buy or sell such bonds at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to each at the time of the transaction, the expense involved and that the firm was entitled to a profit. ([FINRA Case #2012033330501](#))

Westhoff, Cone & Holmstedt ([CRD #25502](#), Walnut Creek, California) submitted a Letter of Acceptance, Waiver and Consent 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 file required official statements (OSs) in an appropriate and timely manner. The findings stated that the firm served as senior manager on municipal underwritings; and with respect to those underwritings, the firm completely failed to file some of the OSs on the Municipal Securities Rulemaking Board's (MSRB) Electronic Municipal Market Access system (EMMA). Rather, the firm continued to file the OSs on a Nationally Recognized Municipal Securities Information Repository (NRMSIR). The firm also failed to file additional OSs on EMMA within the time frame required by MSRB Rule G-32. The findings also stated that the firm failed to implement a supervisory system reasonably designed to achieve compliance with all applicable MSRB rules. The firm designated an individual as the principal responsible for implementing various aspects of its supervisory procedures. Some of those supervisory responsibilities required registration as a Municipal Securities Principal, but the individual was never registered as such. The firm permitted the individual to act as a Municipal Securities Principal without appropriate registration. The firm's written procedures pertaining to compliance with MSRB Rule G-32 failed to include procedures pertaining to the filing of OSs. ([FINRA Case #2012030572401](#))

Individuals Barred or Suspended

Damien Payman Alexander ([CRD #2724252](#), Jackson, California) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Alexander failed to respond to FINRA requests for information and documents. The findings stated that FINRA commenced an investigation of Alexander after receiving a Uniform Termination Notice for Securities Industry Registration (Form U5) filed by his former member firm disclosing his termination. The Form U5 reported that Alexander failed to provide proper disclosure information and that, at the time of his termination, was under investigation by the State of California's Corporate Division. ([FINRA Case #2013035581901](#))

Bradley Thomas Badger ([CRD #5665584](#), Pleasanton, California) submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for 30 business days. Without admitting or denying the findings, Badger consented to the sanctions and to the entry of findings that he failed to provide prior written notice of his involvement in an outside business activity to his member firm. The findings stated that Badger signed an operating agreement as a member and manager of a currency trading and real estate business, and opened a bank account for it in his capacity as manager of the business along with two former registered representatives of his firm. The business was outside the scope of Badger's employment relationship with his firm. In addition, Badger failed to provide prior written notice of a private securities transaction to his firm when he purchased a \$300,000 interest in the business.

The suspension is in effect from August 4, 2014, through September 15, 2014. ([FINRA Case #2012034456903](#))

Luciano Andres Battioli ([CRD #6229734](#), Huntington Beach, California) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Battioli consented to the sanction and to the entry of findings that he converted funds belonging to customers of his member firm's affiliate bank, and forged and falsified bank documents. The findings stated that Battioli served as a registered representative trainee with the firm and a personal banker with the bank. Battioli forged bank-withdrawal documents for the accounts of two bank customers, and used the forged bank withdrawal documents to effect withdrawals totaling \$221 from the customers' accounts without permission or authority from either customer. Battioli used the funds to pay his father's credit card bill. ([FINRA Case #2013039521501](#))

Reginald Maurice Berthiaume Jr. ([CRD #2702903](#), Orlando, Florida) submitted an Offer of Settlement in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for two years. Without admitting or denying the allegations, Berthiaume consented to the sanctions and to the entry of findings that he failed to timely disclose to his member firms his involvement in outside businesses

in forms specified by the firms. The findings stated that one of the firms disapproved of two of the outside business activities after Berthiaume completed online outside business activity disclosure and notification forms. The findings also stated that Berthiaume failed to timely and completely respond to FINRA-requests for documents and information concerning known associates of one of the outside businesses, and business-related electronic communications and correspondence relating to two of the outside businesses. Berthiaume failed to appear for on-the-record testimony requested by FINRA.

The suspension is in effect from August 4, 2014, through August 3, 2016. ([FINRA Case #2012031368001](#))

Carl Max Birkelbach ([CRD #1177843](#), Chicago, Illinois) was barred from association with any FINRA member in any capacity. The U.S. Court of Appeals for the Seventh Circuit denied Birkelbach's petition for review of the SEC's order imposing a lifetime bar. The sanction was based on findings that in the face of red flags, Birkelbach failed to exercise appropriate supervision over a representative's handling of a customers' account and, when violations were detected, failed to take corrective actions to prevent future misconduct. The findings stated that Birkelbach allowed the representative to churn the customers' account for years while he did not take any meaningful action, never disapproved any trade and never questioned the amount of trading. Birkelbach was aware of the representative's relevant disciplinary history and that he was the subject of arbitrations and numerous customer complaints, which should have prompted Birkelbach to heighten his supervision, but he failed to do so. ([FINRA Case #2005003610701](#))

Christopher Bradford Birli ([CRD #4366441](#), Buffalo, New York) and **Patrick Walter Chapin** ([CRD #2149171](#), East Amherst, New York) submitted an Offer of Settlement in which Birli and Chapin were barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Birli and Chapin consented to the sanctions and to the entry of findings that they carried out a scheme together for more than seven years to evade, circumvent, and thwart their member firm's policies and procedures. The findings stated that Birli and Chapin concealed their misconduct by, among other things, submitting false, misleading and incomplete paperwork, using personal emails to communicate with customers and a plan provider, and by making false and misleading statements to firm personnel. Birli and Chapin recommended that their customers engage in a two-step transaction that involved surrendering their existing variable annuities, placing the customer's funds in the plan provider's variable annuity within a retirement plan for at least 90 days, and then transferring those funds from the plan provider's product to a new firm variable annuity held outside of the retirement plan. As a result of their misconduct, Birli and Chapin received (and the firm paid) commissions to which they were not entitled, their customers were exposed to additional liquidity and death benefit risks, some customers were actually harmed by their strategy, and the firm was prevented from properly reviewing the transactions for suitability. Birli and Chapin received hundreds of thousands of dollars in commissions to which they were not entitled.

The findings also stated that Birli and Chapin failed to have a reasonable basis to recommend the transfers via the two-step transaction. With Birli and Chapin having structured the transaction in two steps, rather than processing the transactions through the firm's internal exchange program, all of the customers were unnecessarily subjected to a new seven-year surrender schedule that reduced liquidity, deprived them of the benefit of the 110 percent death benefit rule designed to ensure that customers not lose significant death benefits on internal exchanges, and exposed them to the temporary loss of death benefit protection during the period that funds were held away from the firm. The two-step transaction was unsuitable for any customer. Some of these customers experienced an actual loss of death benefit protection and some of the customers paid surrender charges as a result of the new surrender schedule. The findings also included that Birli and Chapin intentionally failed to appear for FINRA-requested testimony and intentionally failed to provide information and documents requested by FINRA regarding their use of personal emails to conduct business. Birli and Chapin, through their counsel, advised FINRA that they would not be complying with FINRA's requests. ([FINRA Case #2012032120001](#))

Alex Court Brown ([CRD #2961696](#), Bunnell, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Brown consented to the sanction and to the entry of findings that on seven separate occasions, he utilized his business credit card for personal expenses and then submitted false expense reports to his member firm, from which he was reimbursed approximately \$1,474.76 for expenses that were not business-related. ([FINRA Case #2012031887001](#))

Travis G. Capson ([CRD #4690832](#), Concord, California) submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for 30 business days. Without admitting or denying the findings, Capson consented to the sanctions and to the entry of findings that he failed to provide prior written notice of his involvement in an outside business activity to his member firm. The findings stated that Capson signed an operating agreement as a member and manager of a currency trading and real estate business, and opened a bank account for it in his capacity as manager of the business along with two former registered representatives of his firm. The business was outside the scope of Capson's employment relationship with his firm. In addition, Capson participated in the marketing and solicitation of investments in the business from potential investors, including two of his firm's customers, while he was associated with the firm. One of these individuals purchased a \$300,000 interest in the business while Capson was associated with the firm. Capson failed to provide prior written notice of this private securities transaction to his firm.

The suspension is in effect from August 4, 2014, through September 15, 2014. ([FINRA Case #2012034456901](#))

Henry Xavier Carrillo ([CRD #2871341](#), Woodridge, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Carrillo consented to the sanction and to the entry of findings that he failed to cooperate with a FINRA investigation by failing to appear for testimony and failing to fully respond to requests seeking information and documents. The findings stated that Carrillo advised FINRA that he did not intend to cooperate further. Carrillo's member firm began an internal investigation of Carrillo after receiving an anonymous tip relating to him and his wife receiving payments directly from certain of his brokerage customers. Carrillo resigned from the firm before the firm was able to conclude its investigation. In Carrillo's Form U5, the firm disclosed its review of these payments. FINRA commenced an investigation thereafter. ([FINRA Case #2013038329901](#))

William Hugh Carson ([CRD #722967](#), Westminster, Colorado) was fined \$5,000, suspended from association with any FINRA member as a FINOP for two months and required to requalify as a FINOP. Carson appealed to the NAC but withdrew his appeal, and the NAC determined not to call this matter for review. The sanctions were based on findings that Carson caused his member firm's net capital calculations to be inaccurate, resulting in inaccurate firm books and records. The findings stated that the inaccurate net capital computations were the result of Carson's failure to take into account the firm's unpaid payroll taxes and that the firm's proprietary trading caused the firm's net capital requirement to increase. Carson failed to fulfill his responsibilities as a FINOP. Carson accepted the financial summaries he received at face value despite red flags that should have prompted further inquiry.

The findings also stated that Carson and an individual allowed their firm to conduct a securities business with insufficient net capital, and Carson filed inaccurate Financial and Operational Combined Uniform Single (FOCUS) reports that materially misstated the firm's net capital position. The firm's FOCUS reports failed to take into account the fact that because it engaged in proprietary trading, the firm was required to maintain a minimum net capital of \$100,000, rather than \$50,000. Further, the firm's FOCUS report failed to include large payroll tax liabilities that were memorialized in an IRS tax lien. Had the net capital requirement been properly included, it would have shown the firm was operating with insufficient net capital. The findings also included that Carson caused his firm to fail to notify the regulatory authorities that it had insufficient net capital, and Carson failed to file the required notice following FINRA's notification to him that the firm had a net-capital deficiency.

The suspension is in effect from August 18, 2014, through October 16, 2014. ([FINRA Case #2009017899801](#))

Roy Lawrence Castillo ([CRD #2263430](#), Kingsport, Tennessee) submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for one month.

Without admitting or denying the findings, Castillo consented to the sanctions and to the entry of findings that he failed to disclose liens on his Form U4.

The suspension was in effect from July 21, 2014, through August 20, 2014. ([FINRA Case #2013036105301](#))

Lloyd James Chappell ([CRD #2535801](#), Garland, Texas) submitted a Letter of Acceptance, Waiver and Consent 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, Chappell consented to the sanctions and to the entry of findings that on two occasions, he contacted an investment company where one of his former customers held an account and impersonated the customer. The findings stated that Chappell altered his voice and provided personal data in order to obtain information related to the account, without the customer's knowledge or consent.

The suspension is in effect from August 4, 2014, through December 3, 2014. ([FINRA Case #2013038027401](#))

John Ross Deal Jr. ([CRD #1007384](#), Barrington, Rhode Island) submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 30 days. Without admitting or denying the findings, Deal consented to the sanctions and to the entry of findings that he maintained securities accounts at outside financial institutions without notifying his member firm in writing about the accounts. The findings stated that Deal affirmed in compliance attestations submitted to the firm in 2009, 2010 and 2011 that he had reported all of his personal brokerage accounts held at other firms.

The suspension was in effect from July 21, 2014, through August 19, 2014. ([FINRA Case #2012034437201](#))

Frank Nicholas Dettenrieder ([CRD #66368](#), San Miguel de Allende, Guanajuato, Mexico) submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 12 business days. Without admitting or denying the findings, Dettenrieder consented to the sanctions and to the entry of findings that he effected discretionary transactions in the accounts of six customers without obtaining the customers' prior written authorization and without having the accounts accepted as discretionary accounts by his member firm.

The suspension was in effect from July 28, 2014, through August 12, 2014. ([FINRA Case #2013037673701](#))

Brian James DeVinney ([CRD #3052178](#), Wexford, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$15,000 and suspended from association with any FINRA member in any capacity for 14 months. Without admitting or denying the findings, DeVinney consented to the sanctions and to

the entry of findings that he failed to provide prompt written notice to his member firm of his outside business activities and his receipt of approximately \$25,330 in compensation from the unapproved outside business activities. The findings stated that his firm's policies and procedures required that its registered representatives provide prompt written notice disclosing all outside business activities, and it reminded DeVinney of this obligation through Outside Business Activities Disclosure questionnaires. DeVinney failed to disclose to the firm his outside business activities and the compensation he received for those unapproved activities. The findings also stated that DeVinney provided false and misleading written statements to FINRA in response to FINRA requests for information regarding his outside business activities.

The suspension is in effect from July 21, 2014, through September 20, 2015. ([FINRA Case #2013037749001](#))

James Xavier Dunne (CRD #5362609, Milford, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Dunne consented to the sanction and to the entry of findings that he converted \$1,945.09 through the submission of false travel and expense reimbursements and overpayments from his member firm's funds for personal use. ([FINRA Case #2013038564801](#))

Christian J. Espinoza (CRD #6131461, Raymore, Missouri) submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, Espinoza consented to the sanctions and to the entry of findings that he altered the official report of his score on the Series 7 examination after failing the examination. The findings stated that Espinoza notified a supervisor at his firm by email that he had failed the Series 7 exam, but stated falsely in the email that he had scored 68 percent overall, rather than 58 percent. Espinoza provided the firm with a version of the official score report that he had falsified to show that he had scored 68 percent overall and higher than he actually scored in each of the five exam sections.

The suspension is in effect from July 21, 2014, through September 20, 2014. ([FINRA Case #2013036388801](#))

David Kristian Evansen (CRD #1579910, New Lisbon, Wisconsin) was barred from association with any FINRA member in any capacity. The NAC affirmed the findings of an OHO decision and modified the sanctions, imposing a unitary sanction of a bar for Evansen's misconduct rather than a sanction per cause. The sanction was based on findings that Evansen failed to respond to a FINRA request to provide testimony and failed to timely respond to FINRA requests for information.

This matter has been appealed to the SEC and the bar is in effect pending review. ([FINRA Case #2010023724601](#))

Douglas Eric Hampton ([CRD #2797816](#), Uniontown, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Hampton consented to the sanction and to the entry of findings that he paid a total of \$523,622, via wire transfer or personal check, to the Chief Financial Officer and Deputy Treasurer (CFO/DT) in the Office of the Treasurer of the State of Ohio, and to two other conspirators or entities they controlled, in exchange for state brokerage business that the CFO/DT directed to Hampton. The findings stated that Hampton submitted a Request for Information for Broker/Dealer Services to the Office of the Treasurer, where a selection committee headed by the CFO/DT reviewed and approved it. Thereafter, Hampton conducted his first trade as an authorized broker on behalf of the State. In exchange for additional securities business, Hampton agreed to pay the CFO/DT and the two conspirators from commission proceeds that he received from trading securities for the State of Ohio. Hampton received over \$3.2 million in commissions from executing 360 securities trades on behalf of accounts belonging to the Office of the Treasurer. Hampton's conduct resulted in a willful violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. Hampton pled guilty to felony conspiracy to defraud the United States. ([FINRA Case #2013038259901](#))

Jerry Moore Hill ([CRD #3357](#), Dallas, Texas) submitted an Offer of Settlement in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Hill consented to the sanction and to the entry of findings that she acted as a FINOP while suspended in that capacity and without ever requalifying by examination. The findings stated that pursuant to a FINRA Letter of Acceptance, Waiver and Consent (AWC), Hill was suspended from acting as a FINOP until she served the term of her suspension and requalified by examination by taking and passing the Series 27 examination. Hill twice attempted to requalify as a FINOP by taking the Series 27 examination, but she failed the test on both occasions. ([FINRA Case #2013035836301](#))

Sherrie Lynn Jefflo ([CRD #4151059](#), Oklahoma City, Oklahoma) submitted a Letter of Acceptance, Waiver and Consent in which she 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, Jefflo consented to the sanctions and to the entry of findings that she willfully failed to timely notify her member firm and update her Form U4 to disclose a civil judgment against her. The findings stated that Jefflo did not amend her Form U4 by the required timeframe in order to report the civil judgment against her, which has since been satisfied. During a routine internal audit, the firm's insurance affiliate asked Jefflo if she had any reportable events, including liens or judgments issued against her. Jefflo disclosed the existence of the default judgment against her. Subsequently, the firm terminated Jefflo's employment because she no longer met the firm's internal sponsorship guidelines due to the default judgment.

The suspension is in effect from August 4, 2014, through September 17, 2014. ([FINRA Case #2013036904401](#))

Shelton Dewey Johnson ([CRD #1898016](#), Freeport, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the findings, Johnson consented to the sanctions and to the entry of findings that he willfully failed to amend his Form U4 to report a felony charge and its resolution while at a FINRA member firm, willfully failed to timely amend his Form U4 to report the felony charge and its resolution with another FINRA member firm, and willfully failed to report in a timely manner a separate felony charge while at the second firm.

The suspension is in effect from July 21, 2014, through January 20, 2015. ([FINRA Case #2013037562401](#))

Thomas Blair Johnston ([CRD #4375657](#), Victoria, Minnesota) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 45 days. Without admitting or denying the findings, Johnston consented to the sanctions and to the entry of findings that he participated in unapproved private securities transactions. The findings stated that Johnston purchased stock in a company, did not seek his member firm's permission to make this purchase and never disclosed this purchase to the firm. Johnston also participated in firm customers' purchase of stock in the company without seeking the firm's permission or disclosing such activity to the firm. The company was never an approved product of Johnston's firm. In questionnaires completed in 2007, 2009, 2010 and 2012, Johnston failed to disclose these activities in response to questions asking whether all sales of proprietary and non-proprietary securities products and services had been conducted through, or approved by his firm. In 2012, Johnston also failed to disclose that he had owned shares of the company in response to a question asking if he currently owned any passive investments in outside businesses.

The suspension is in effect from August 18, 2014, through October 1, 2014. ([FINRA Case #2013037309201](#))

Eric Andrew Kammerer ([CRD #4275876](#), Aurora, Colorado) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Kammerer consented to the sanctions and to the entry of findings that he effected discretionary transactions in eight customers' accounts without obtaining the customers' prior written authorization and without having the accounts accepted as discretionary accounts by his member firm.

The suspension was in effect from August 4, 2014, through August 15, 2014. ([FINRA Case #2012034213401](#))

Ashik Akberali Kapasi ([CRD #4259968](#), Spring, Texas) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Kapasi provided false responses to FINRA requests for information and documents relating to his alleged outside business activities and related loans, and failed to respond to FINRA requests for additional information and documents. The findings stated that Kapasi borrowed \$6,000 from his customers. Kapasi was aware that his member firm had written procedures that prohibited borrowing funds from customers and that FINRA's rules prohibited it as well. Kapasi did not seek the firm's approval of the loan, and the firm did not approve it. Kapasi repaid the customers the entire loan amount, and, upon repayment, took back from them a hand-written contract and tanzanite stone he had provided them in exchange for the loan, and destroyed the contract. Kapasi also structured the loan arrangement in a manner to avoid detection by his firm. When Kapasi's firm conducted an investigation, Kapasi lied to the firm and said he had not borrowed funds from any customers. ([FINRA Case #2011028003001](#))

Dennis Keith Karasik ([CRD #1227463](#), Reisterstown, Maryland) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Karasik consented to the sanction and to the entry of findings that he participated in private securities transactions without providing prior written notice to his member firms. The findings stated that Karasik participated in the offer and sale of bonds issued by a domestic energy company and received finder's fees from the company as a result of these sales. Karasik falsely certified to one firm that he had not engaged in any private securities transactions without first receiving prior written approval. Karasik also failed to provide accurate information to a firm on an Outside Business Activity Disclosure Form regarding an independent financial services business where he served as a partner. The findings also stated that Karasik provided false information to a firm in response to inquiries about a lawsuit filed against him by a customer who had purchased bonds. The firm included the false information on Karasik's amended Form U4. Karasik provided false information to FINRA in response to a request in which he asserted that he did not recommend the purchase of bonds and did not receive any compensation for the sales of bonds. Karasik also provided false testimony to FINRA about his role in the sales of the bonds and his receipt of compensation from the company. ([FINRA Case #2012034750401](#))

Anthony Clive Lazarus ([CRD #5713015](#), South Ozone Park, New York) was barred from association with any FINRA member in any capacity. The sanction is based on findings that Lazarus converted more than \$27,000 from the bank accounts of two of his elderly customers without their knowledge or consent. The findings stated that Lazarus had no entitlement to the customers' funds, and therefore no right to exercise ownership over these funds. ([FINRA Case #2012031150702](#))

Richard David Lewis ([CRD #1882721](#), Henderson, Nevada) submitted a Letter of Acceptance, Waiver and Consent 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, Lewis consented to the sanctions and to the entry of findings that he effected discretionary transactions in the securities account of a customer without obtaining the customer's prior written authorization and without his member firm having accepted the account in writing as discretionary.

The suspension is in effect from August 18, 2014, through September 15, 2014. ([FINRA Case #2013036579501](#))

Edwin Emmett Lickiss Jr. ([CRD #844969](#), Danville, California) submitted a Letter of Acceptance, Waiver and Consent 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, Lickiss consented to the sanctions and to the entry of findings that he willfully failed to timely disclose on his Form U4 tax liens the IRS and the State of California had filed against him. The findings stated that Lickiss knowingly misrepresented to his member firm on compliance declarations that he was not the subject of any liens against his assets or income, despite the fact that he was aware of the existence of the liens the IRS and the State of California had filed.

The suspension is in effect from August 18, 2014, through December 17, 2014. ([FINRA Case #2013037734301](#))

John Paul Lornson ([CRD #2464007](#), Milton, Wisconsin) submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 15 business days. Without admitting or denying the findings, Lornson consented to the sanctions and to the entry of findings that he falsely stated on Proctored Examination Affidavits completed in connection with certain Life Underwriter Training Council (LUTC) examinations that he had proctored the examinations despite not having done so. The findings stated that Lornson was designated to serve as a proctor for students taking certain LUTC examinations. Lornson, however, did not proctor the examinations. Instead, another person, the LUTC course moderator, proctored the LUTC examinations.

The suspension was in effect from August 4, 2014, through August 22, 2014. ([FINRA Case #2013035948002](#))

Nicole Marie Maleport ([CRD #5974554](#), Green Bay, Wisconsin) submitted a Letter of Acceptance, Waiver and Consent in which she was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, Maleport consented to the sanctions and to the entry of findings that she cheated on LUTC examinations by accepting assistance from the moderator of the course in answering examination questions. The findings stated that Maleport falsely stated on Proctor Affidavits that she had completed her

LUTC examinations without assistance and that an individual served as her proctor for the examinations when, in fact, a different individual served as the proctor. Maleport's submission of the false Proctor Affidavits enabled her to obtain unearned continuing education credits from the Wisconsin Office of the Commissioner of Insurance.

The suspension is in effect from August 4, 2014, through October 3, 2014. ([FINRA Case #2013035900101](#))

Christopher James McKenna ([CRD #1704158](#), Cleveland Heights, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$7,500 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, McKenna consented to the sanctions and to the entry of findings that he engaged in private securities transactions without having received his member firm's prior written authorization to do so. The findings stated that although McKenna had notified the firm of his intent to engage in the private securities transactions, the firm had not provided prior written authorization for him to do so. McKenna and another registered representative of the firm notified the firm of a private placement offering that they intended to sell. McKenna's supervisor sent an email to McKenna and the registered representative advising them that the firm would not participate in the private offering until certain due diligence procedures were agreed upon. McKenna, the registered representative, and their attorney met with firm management and the firm's attorney to discuss and agree upon the due diligence procedures that the firm would require for private placement offerings. Prior to the meeting, however, McKenna participated in two securities transactions in connection with the private offering. McKenna effectuated each of these purchases by forwarding the executed subscription agreement directly to the issuer of securities in the private offering. McKenna did not provide copies of the subscription agreements to the firm or otherwise notify the firm of the transactions at the time he sent the subscription agreements to the issuer. As a result, McKenna did not allow the firm to have an opportunity to review and approve (or reject) his private offering securities transactions prior to their execution. Although both of the securities transactions might have been of the type that were within the regular course or scope of McKenna's employment with the firm (i.e., private placements), they were not effected through the firm.

The suspension is in effect from August 18, 2014, through October 17, 2014. ([FINRA Case #2011025846902](#))

John Gayle Pettus ([CRD #2415914](#), Caracas, Venezuela) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Pettus consented to the sanction and to the entry of findings that during the course of an ongoing FINRA investigation, Pettus failed to appear and provide testimony. The findings stated that after rescheduling Pettus' testimony, Pettus' attorney contacted FINRA and informed staff that Pettus would not appear and provide testimony. ([FINRA Case #2013036517001](#))

Glenn Philip Rafferzeder ([CRD #2215047](#), Tinton Falls, New Jersey) submitted a Letter of Acceptance, Waiver and Consent 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, Rafferzeder consented to the sanctions and to the entry of findings that he caused his member firm to maintain incorrect books and records. The findings stated that Rafferzeder certified on a customer's variable annuity application forms that he had fully explained the contract to the customer, including its restrictions and charges, and that he had determined that the transaction was suitable given the customer's financial situation and needs. Rafferzeder also confirmed that he had informed the customer of the material features of the variable annuity contract and that based on information the customer had provided, he had a reasonable basis to believe that the customer would benefit from the annuity. Rafferzeder did not speak to the customer about the investment in the variable annuity before signing the variable annuity application forms. Rafferzeder instead relied on information provided by the customer's former registered representative, who was not registered at the time of the transaction, in order to complete portions of the customer application form.

The suspension was in effect from July 21, 2014, through August 15, 2014. ([FINRA Case #2012033901402](#))

Gary David Rowcliffe ([CRD #1021441](#), Knoxville, Tennessee) submitted a Letter of Acceptance, Waiver and Consent 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, Rowcliffe consented to the sanctions and to the entry of findings that he falsified a wire transfer form. The findings stated that a customer requested the wire transfer and authorized Rowcliffe to sign his name to the wire transfer form in order to expedite the transfer of funds. Rowcliffe's member firm's procedures prohibited registered representatives from signing documents on a client's behalf, even if requested to do so by the client. Rowcliffe's falsification of the wire transfer form also caused the firm's books and records to be inaccurate. The findings also stated that Rowcliffe failed to timely respond to FINRA's requests for documents and information concerning its investigation into the above allegation.

The suspension is in effect from July 21, 2014, through April 20, 2015. ([FINRA Case #2012034111802](#))

John David Rukenbrod ([CRD #4505254](#), Euclid, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 15 business days. Without admitting or denying the findings, Rukenbrod consented to the sanctions and to the entry of findings that he was not properly registered as a General Securities Principal of his member firm while he was engaged in the supervision of the firm's securities business and was responsible for supervising all aspects of the firm's securities business except for private placement activity.

The suspension was in effect from August 4, 2014, through August 22, 2014. ([FINRA Case #2011025846901](#))

Arnab Sarkar ([CRD #5511326](#), El Cerrito, California) submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for 30 business days. Without admitting or denying the findings, Sarkar consented to the sanctions and to the entry of findings that he failed to provide prior written notice of his involvement in an outside business activity to his member firm. The findings stated that Sarkar signed an operating agreement as a member and manager of a currency-trading and real estate business, and opened a bank account for it in his capacity as manager of the business along with two former registered representatives of his firm. The business was outside the scope of Sarkar's employment relationship with his firm. In addition, Sarkar participated in the marketing and solicitation of investments in the business from potential investors, including two of his firm's customers, while he was associated with the firm. One of these individuals purchased a \$300,000 interest in the business while Sarkar was associated with the firm. Sarkar failed to provide prior written notice of this private securities transaction to his firm.

The suspension is in effect from August 4, 2014, through September 15, 2014. ([FINRA Case #2012034456902](#))

Thomas David Sharp ([CRD #1623353](#), Carmichael, California) submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Sharp consented to the sanctions and to the entry of findings that he sent emails to potential investors in a non-exchange-traded REIT that were not fair and balanced, and failed to provide a sound basis for evaluating the facts presented. The findings stated that based upon the emails as well as additional communications with Sharp, customers invested a total of \$75,000 in the REIT.

The suspension was in effect from July 21, 2014, through August 1, 2014. ([FINRA Case #2011027170903](#))

Charles Wayne Sherrod ([CRD #4145791](#), Glendale, Arizona) submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$2,500 and suspended from association with any FINRA member in any capacity for 30 business days. Without admitting or denying the findings, Sherrod consented to the sanctions and to the entry of findings that he failed to provide prior written notice to his member firm of his outside business activity of selling fancy-colored diamonds. The findings stated that Sherrod solicited his customers to purchase fancy-colored diamonds, completed a transaction for a purchase, and earned a \$6,345 commission from that transaction before he notified his firm of his outside business activity. The firm's procedures required

Sherrod to disclose all outside business activities in the firm's electronic system and receive approval prior to engaging in the activity.

The suspension is in effect from August 4, 2014, through September 15, 2014. ([FINRA Case #2013038661301](#))

Camille Margaret Smith ([CRD #5403550](#), Minneapolis, Minnesota) submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$10,000 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, Smith consented to the sanctions and to the entry of findings that she supplied false information regarding the reasons for wire transfers on her member firm's wire-transfer request forms, and caused the firm to maintain false books and records concerning these wire-transfer requests. The findings stated that an imposter posing as a firm customer sent emails to Smith, the customer's broker, requesting three wire transfers totaling \$92,000 from the customer's account to a third party's bank account. Acting contrary to the firm's policies and procedures, Smith failed to discuss or verbally confirm the wire-transfer requests with the customer prior to instructing the branch officer's trader to liquidate mutual funds in amounts sufficient to satisfy the requested wire transfers, and without having received the customer's prior written approval or authorization. After the third request, the firm's home office became suspicious of the request given the frequent activity in a two-week time span. The customer was contacted, at which time he informed the firm that he never made any wire-transfer requests. The firm immediately rejected the third wire and placed a block on the account. The firm recalled the two other wires and the customer's account statement was reimbursed such that there wasn't any loss to the customer.

The suspension is in effect from August 4, 2014, through October 3, 2014. ([FINRA Case #2012033968201](#))

Jay John Soojian ([CRD #2768599](#), Wayne, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Soojian consented to the sanction and to the entry of findings that he fraudulently omitted material facts in connection with his sales of \$775,000 of an entity's limited partnership interest securities to investors. The findings stated that among other things, while soliciting investors and referring them to the entity to invest in the limited partnership interests, Soojian failed to disclose material facts to those investors concerning the civil disciplinary and criminal history of one of the entity's principals. Soojian also failed to disclose material facts regarding his compensation for those referrals. As a result of his conduct, Soojian willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, and FINRA Rules 2010 and 2020. The findings also stated that Soojian participated in private securities transactions for compensation without giving prior written notice to, or receiving prior written approval from, his member firm. ([FINRA Case #2012034353601](#))

Susan Lynn Springsteen ([CRD #1190229](#), **Downingtown, Pennsylvania**) submitted a Letter of Acceptance, Waiver and Consent in which she 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, Springsteen consented to the sanctions and to the entry of findings that she participated in private securities transactions without providing prior written notice to her member firm of the transactions or her proposed role in them. The findings stated that Springsteen participated in the sale of \$355,000 worth of notes to investors offered by a company in which she was a founding investor. The six investors were friends of Springsteen's, and four of those six were clients at her firm. Springsteen informed the investors that she was a founding investor in the company. Springsteen solicited their investments in the offering by, among other things, introducing them to the investment opportunity, providing them with the company's offering memorandum and related materials, and discussing the offering's terms with them. The notes were not offered through Springsteen's firm and the firm did not approve the investment for its customers.

The suspension is in effect from July 21, 2014, through November 20, 2014. ([FINRA Case #2012034956701](#))

Lance B. Topol ([CRD #5731836](#), **Glen Cove, New York**) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Topol consented to the sanction and to the entry of findings that he created and distributed falsified letters of credit (LOCs), falsified Comfort Letters and a falsified term sheet on behalf of his member firm and/or an affiliate of the firm, without the knowledge or authorization of those firms. The findings stated that in Topol's capacity as a registered representative of the firm, he did not have the authority on behalf of the firm or the affiliate to issue LOCs or make other promises of financing. Despite making several inquiries to responsible officials of the affiliate seeking financing on a company's behalf, Topol never received authorization from the affiliate or his firm to issue LOCs or other documents promising financing to the company, and he was not an authorized signatory of LOCs issued by the affiliate. Topol was advised on numerous occasions by affiliate officials that it was unwilling to issue LOCs or extend other financing to the company. The total amount of the financing that was promised in the falsified LOCs exceeded \$65 million. Topol distributed all or most of the fictitious documents to contractual counterparties or proposed counterparties of the company, and he made false representations to representatives of the company. The company filed a civil action against the affiliate and the firm in connection with its alleged reliance on the fictitious LOCs and other documents that it received from Topol. The findings also stated that Topol made false representations to representatives of another company that his firm was willing to issue it a line of credit. The firm had never indicated that it was willing to do so. ([FINRA Case #2013036989001](#))

Moses G. Torres ([CRD #5730763](#), Ridgefield, Washington) submitted a Letter of Acceptance, Waiver and Consent 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, Torres consented to the sanctions and to the entry of findings that he willfully failed to disclose his felony charges to his member firm and willfully failed to amend his Form U4 to reflect the felony charges. The findings stated that Torres also failed to disclose his guilty plea and misdemeanor conviction to the firm. Torres was fully aware of the charges and his obligation to report such information. Torres completed and signed a compliance policies and procedures acknowledgment form, acknowledging that he would notify the firm immediately about any issue that would require an amendment to his Form U4. In a written response to FINRA, Torres stated that he should have disclosed the criminal proceeding but failed to do so because he feared losing his job.

The suspension is in effect from July 21, 2014, through January 20, 2015. ([FINRA Case #2013037723201](#))

Lynne Marie Triche ([CRD #5449441](#), LaPlace, Louisiana) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Triche consented to the sanction and to the entry of findings that while dually employed by her member firm and its bank, she misappropriated \$300 from customers. The findings stated that Triche misappropriated the funds by processing three separate customer withdrawals that resulted in each customer being deprived of \$100 of his funds. The findings also stated that Triche failed to timely disclose her bankruptcy filing. ([FINRA Case #2013038703201](#))

Edward James Wendol ([CRD #2392007](#), Spring Hill, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Wendol consented to the sanction and to the entry of findings that he failed to comply with FINRA's request for documents and information, and to appear and provide on-the-record testimony. The findings stated that during the course of FINRA's investigation into whether Wendol was involved in undisclosed outside business and undisclosed private securities transactions, FINRA requested that he provide certain documents and information. Wendol, through his attorney, informed FINRA that he would not provide the requested documents and information, nor would he appear and provide on-the-record testimony in the future. ([FINRA Case #2013038557301](#))

David Eugene West ([CRD #2185272](#), Homer Glenn, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for one month. Without admitting or denying the findings, West consented to the sanctions and to the entry of findings that he engaged in an outside business activity for compensation without providing written notice

to his member firm. The findings stated that acting on his entity's behalf, West executed an engagement letter with the company and began to perform the advisory services a company had requested. The financial advisory services firm where West was employed had previously rejected engagement with the company because the company would not pay the minimum fee for services. West traveled to the company's facilities in connection with the engagement. West requested reimbursement from the financial advisory services firm for expenses related to that travel and was reimbursed \$569.29. West and his entity later received a total of \$16,714.02 in advisory fees and expenses from the company. Although West notified the company that he was previously reimbursed for expenses related to his visit, the company's payment of fees and expenses also included \$569.29 for that trip.

The suspension is in effect from August 18, 2014, through September 17, 2014. ([FINRA Case #2011029524801](#))

Steven Mark Wyatt (CRD #2522129, Jackson, Mississippi) submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$12,500 and suspended from association with any FINRA member in any capacity for four months. Without admitting or denying the findings, Wyatt consented to the sanctions and to the entry of findings that he engaged in a private securities transaction with a medical device company. The findings stated that Wyatt personally invested a total of \$58,750 in the company, and introduced and recommended the purchase of the company's private securities to clients of his member firm, without first providing written notice to the firm before engaging in these private securities transactions. Wyatt did not inform his firm of his investments in the company, and made the investments in his wife's name in order to circumvent the firm's requirement that he obtain permission for his participation in the company's private placement. Wyatt completed the firm's annual compliance attestation and attested that he had not rendered any assistance to or purchased any private placement investments, purchased or sold securities directly from an entity or corporation, or recommended, participated in or directed any client to participate in any outside private securities transactions while associated with the firm. Wyatt did not inform the firm of his relationship with the company, or his plans to introduce and recommend the company's private offering to certain of his firm clients. Ultimately, three of Wyatt's firm customers invested in the company. Wyatt failed to disclose any of these customers' investments in the company to the firm.

The suspension is in effect from August 4, 2014, through December 3, 2014. ([FINRA Case #2013036670002](#))

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 July 31, 2014. 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*.

Joseph Ronald Butler ([CRD #2447535](#), Brandywine, Maryland) was barred from association with any FINRA member in any capacity and ordered to pay \$170,408.18, plus interest, in restitution to a customer. The sanctions were based on findings that Butler converted a customer's funds and falsified an annuity beneficiary change request form. The findings stated that Butler intentionally exploited his relationship with the customer and converted to his own use a substantial sum of money from her. Butler took advantage of the elderly customer, who was having difficulty managing her finances due to the onset of dementia. Butler was aware of her diminished capacity. Butler began withdrawing money from the customer's bank accounts for his own benefit after he realized that the customer's health had declined and she was no longer capable of managing her affairs, and after he realized that there was no one else with sufficient knowledge to call him to account. In total, Butler withdrew \$170,408.18 from the customer's bank accounts and improperly used the customer's funds for his own benefit. The findings also stated that Butler intentionally filled out the annuity beneficiary change request with false information for his benefit. Butler wrote that he was the customer's son and then submitted the request to the insurance company, which approved the request and made Butler a 90 percent beneficiary of the customer's policy. Butler knew that the insurance company might not approve the request if he answered truthfully. The Hearing Panel dismissed the allegation that Butler engaged in unethical conduct by assuming various roles in the customer's affairs that were prohibited by his member firm's supervisory procedures. The evidence failed to establish that the firm's WSPs specifically prohibited the alleged violations.

This matter has been appealed to the NAC and the sanctions are not in effect pending review. ([FINRA Case #2012032950101](#))

Roric Eugene Griffith ([CRD #2783261](#), Milwaukee, Wisconsin) was fined a total of \$10,000, suspended from association with any FINRA member in any capacity for 20 business days and suspended from association with any FINRA member in any capacity for two months. The suspensions shall run concurrently. The sanctions were based on findings that Griffith exercised discretion in a customer's account without having the customer's written authorization and his member firm's acceptance of the account as discretionary. The findings stated that Griffith's firm prohibited its registered representatives from exercising discretion. Griffith nevertheless exercised discretion over when, and at what price, to purchase securities for the customer's account. Griffith purchased shares for the customer's account without the customer's authorization.

This matter has been appealed to the NAC and the sanctions are not in effect pending the review. ([FINRA Case #2010025350001](#))

Success Trade Securities, Inc. ([CRD #46027](#), Washington, DC) and Fuad Ahmed (CRD #2404244, Washington, DC). The firm was expelled from FINRA membership and was ordered to pay, jointly and severally with Ahmed, a total of \$13,706,288.28 in restitution to investors. Ahmed was barred from association with any FINRA member firm in any capacity. The sanctions were based on findings that the firm and Ahmed willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, along with FINRA Rules 2010 and 2020, in connection with fraudulent purchase or sale of securities. The findings stated that the firm, Ahmed and other registered representatives at the firm sold more than \$18 million in the firm's parent company's promissory notes to investors, many of whom were current or former National Football League (NFL) and National Basketball Association (NBA) players, while misrepresenting or omitting material facts. The firm and Ahmed misrepresented that they were raising \$5 million through the sale of promissory notes and continued to make this representation, even as the sales exceeded the original offering by more than 300 percent. The findings also stated that the firm and Ahmed failed to disclose the amount of the company's existing debt to investors and that it was unable to make future interest payments without raising money from new investors. The firm and Ahmed misrepresented how the proceeds would be used and instead improperly used the funds to make unsecured loans to Ahmed and to make interest payments to existing note-holders. The firm and Ahmed misrepresented the rate of return and exempt status of the private placement offering through which the notes were sold. The findings also included that the firm and Ahmed participated in, and/or caused, the unregistered offer and sale of securities in contravention of Section 5 of the Securities Exchange Act of 1933.

This matter has been appealed to the NAC and the sanctions are not in effect pending review. ([FINRA Case #2012034211301](#))

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.

Toni T. Chen ([CRD #2827024](#), Monterey Park, California) was named a respondent in a FINRA complaint alleging that she failed to provide a substantial amount of the documents and information FINRA had requested, and entirely failed to appear for FINRA on-the-record testimony in connection with an investigation concerning possible violations of the federal securities laws and/or FINRA rules. ([FINRA Case #2013039027901](#))

Garden State Securities, Inc. ([CRD #10083](#), Red Bank, New Jersey) was named a respondent in a FINRA complaint alleging that the firm failed to report, or timely report, various events to FINRA, including arbitration settlements and an internal disciplinary action.

The complaint alleges that the firm also failed to report, or timely report, statistical and summary information regarding customer complaints, and in some instances failed to accurately report this information for customer complaints. The firm failed to maintain required books and records concerning customer complaints. The complaint also alleges that the firm failed to ensure Forms U4 were updated, or timely updated, to disclose material information concerning certain of its representatives of which the firm was aware. The complaint further alleges that during a three-day period, multiple firm representatives in a branch office failed to include the firm's address or telephone number during their telemarketing efforts. The firm failed, in accordance with its WSPs and NASD Rule 2210, to demonstrate appropriate principal approval of certain advertising materials, including sales literature and websites, and retain certain advertising materials. The firm's website, websites of its registered representatives and sales literature distributed via email by the firm's registered representatives contained unfair, unbalanced, exaggerated and/or misleading statements.

In addition, the complaint alleges that the firm failed to establish, maintain and enforce an adequate supervisory system, including WSPs, designed to achieve compliance with the requirements of FINRA rules and the federal securities laws regarding the approval, use and dissemination of sales material, the requirement that telemarketing callers provide the called party with the name of the individual caller, the name of the member, and an address or telephone number at which the member firm may be contacted, and telemarketing efforts in the United Kingdom be consistent and compliant with requirements established by the Financial Services Authority. The firm also failed to provide adequate training to its supervisory principals regarding the approval process and the required retention of certain sales materials. The firm could not provide evidence of review, approval and retention of various sales, marketing and promotional materials. ([FINRA Case #2011025318202](#))

Sean J. Lee ([CRD #6023958](#), Reno, Nevada) was named a respondent in a FINRA complaint alleging that he borrowed \$13,000 from a customer of his member firm without the firm's knowledge or consent. The complaint alleges that the loan was an undocumented personal loan, and its purpose was to provide Lee with funds to purchase an automobile. The firm's procedures prohibited borrowing arrangements such as the one between Lee and the customer. The customer is neither a family member of Lee nor an institution engaged in the business of lending. Lee completed annual certifications wherein he certified that he would abide by the firm's code of ethics and compliance policies. ([FINRA Case #2013037833101](#))

Dean Sadrudin Mustaphalli ([CRD #2792038](#), Commack, New York) was named a respondent in a FINRA complaint alleging that over a six-month period, he formed and acted as managing director for a hedge fund through which he sold investments totaling approximately \$6 million and received compensation for managing the hedge fund, all without providing prior written notice to or receiving written acknowledgment from his member firm regarding his role as managing director, his planned participation, or his expected compensation. Participating in these private securities transactions was outside

the course and scope of his employment with his firm. The complaint alleges that as part of FINRA's investigation into Mustaphalli's conduct, he refused to provide a list of the hedge fund clients or unredacted account statements for the business account he controlled. The documents and information that he refuses to provide are material and have impeded FINRA's investigation. ([FINRA Case #2013036880302](#))

Newport Coast Securities, Inc. ([CRD #16944](#), New York, New York), **Marc Anthony Arena** ([CRD #2754309](#), Hicksville, New York), **Donald Andrew Bartelt** ([CRD #1377935](#), Cave Creek, Arizona), **Antonio Costanzo** ([CRD #2580765](#), Chesapeake, Virginia), **Andre Vincent LaBarbera** ([CRD #2072370](#), Dix Hills, New York), **Douglas Anthony Leone** ([CRD #2453784](#), Sandy Hook, Connecticut), **David Michael Levy** ([CRD #2255938](#), Wellington, Florida) and **Roman Tyler Luckey** ([CRD #2977054](#), Long Beach, California) were named respondents in a FINRA complaint alleging that the firm, Bartelt, Constanzo, LaBarbera, Leone and Levy excessively traded and churned customers' accounts. The complaint alleges that the misconduct should have quickly drawn scrutiny, and been stopped, because cost-to-equity ratios were often over 100 percent; turnover rates were often over 100; there were extraordinary amounts of in-and-out trading; customer accounts were highly margined and often concentrated in one security; there were large numbers of transactions in which the total commission/markup per trade exceeded 3 percent and, in many instances, exceeded 4 percent; there was a deceptive mix of riskless principal and agency trading in numerous accounts, namely, higher cost trades in which markups almost always exceeded 3 percent (and generally exceeded \$1,000 per trade) were executed on a riskless principal basis whereas lower cost trades, typically involving sales of the same securities, were executed on an agency basis; inverse and/or leveraged exchange-traded funds (ETFs) and exchange-traded notes (ETNs) remained in accounts for multiple trading sessions; solicited trades were inaccurately characterized as unsolicited; and nearly all of the customer accounts at issue exhibited large losses. The trading was excessive in light of, and inconsistent with, the customers' investment objectives and financial situation. The firm, Bartelt, Constanzo, LaBarbera, Leone and Levy engaged in a manipulative, deceptive and fraudulent scheme by churning the accounts of customers. They acted with intent to defraud and/or with reckless disregard of their customers' interests by seeking to maximize their own remuneration in disregard of the interests of their customers and as a result, willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, FINRA Rules 2010 and 2020, and NASD Rules 2110 and 2120. The complaint also alleges that Constanzo, LaBarbera and Levy recommended transactions involving leveraged and/or inverse exchange-traded products (ETPs) to customers. Constanzo, LaBarbera and Levy lacked reasonable grounds for believing that these risky and speculative securities were suitable for the customers and that the customers understood and were willing to assume the risks particular to these securities. The firm is liable for the excessive trading of, and quantitatively unsuitable recommendations, fraudulent misconduct, and unsuitable investment recommendations by the representatives, under the doctrine of respondeat superior. LaBarbera mischaracterized solicited trades as "unsolicited," thereby causing the firm's books and records to be inaccurate. The complaint further alleges that Leone received

emails from a customer inquiring about his account balance. On each occasion, Leone responded by email and falsely overstated the true value of the customer's account.

In addition, the complaint alleges that the firm, Arena and Luckey failed to adequately supervise Constazo, LaBarbera, Leone and Levy. The firm, Arena and Luckey did not address multiple red flags suggesting that Constazo, LaBarbera, Leone and Levy were excessively trading, churning and generally making unsuitable recommendations. The firm, Arena and Luckey failed to take any meaningful measure to address the misconduct and to ensure that the firm's representatives acted in a manner that was compliant with applicable laws, regulations and rules. Moreover, the complaint alleges that Arena failed to disclose IRS liens on his Form U4 and failed to update his Form U4 to disclose liens filed by the State of New York. Furthermore, the complaint alleges that Constanzo and Levy violated their obligation to conduct their activities in accordance with ethical standards by conditioning restitution offers upon customers' refusal to cooperate with a FINRA investigation and by attempting to dissuade customers from testifying in an anticipated disciplinary hearing. The complaint also alleges that the firm offered and sold structured products and inverse/leveraged ETPs. Yet, the firm neither offered nor provided any training on these complex products to its registered representatives. The firm also lacked procedures and policies to address the supervision of the sales of ETPs. The firm had no system or procedure to flag, for supervisory review, customer accounts that were potentially unsuitably concentrated in structured products or inverse/leveraged ETPs. ([FINRA Case #2012030564701](#))

James Elward Scott (CRD #2984252, Fort Worth, Texas) was named a respondent in a FINRA complaint alleging that he knowingly and substantially assisted an individual in engaging in the recommendation and sale of securities transactions in Texas when this individual was not registered with the State of Texas or with FINRA. The complaint alleges that Scott shared at least \$45,700 of his transaction-based commission income with the individual while the individual was not registered with the State of Texas or with FINRA. Scott received \$117,369.78 in transaction-based commissions related to the sale of securities to firm customers. Neither Scott nor the individual disclosed their commission-sharing payment arrangement to anyone at the firm. The complaint also alleges that during Scott's on-the-record testimony, he knowingly provided false information to FINRA regarding the nature of his relationship with the individual and their conduct. Scott's sworn testimony was material to FINRA's investigation and his false answers impeded that investigation. Scott's false testimony constituted a clear attempt to conceal his and the individual's misconduct. ([FINRA Case #2013035723501](#))

Brian Michael Seifert (CRD #4547658, Rochester, Minnesota) was named a respondent in a FINRA complaint alleging that he failed to appear twice for scheduled on-the-record testimony requested by FINRA. The complaint alleges that the testimony was requested in connection with FINRA's investigation related to, among other things, whether Seifert forged documents and falsified insurance customer information. ([FINRA Case #2012033920601](#))

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

Gardnyr Michael Capital, Inc. (CRD #30520)
Mobile, Alabama
(July 9, 2014)
FINRA Case #2011026664301

Firms Expelled for Failure to Supply Financial Information Pursuant to FINRA Rule 9552

N. Hahn & Co., Inc. (CRD #46942)
New York, New York
(July 7, 2014)

Firms Cancelled for Failure to Pay Outstanding CRD Fees Pursuant to FINRA Rule 9553

East Shores Partners, Inc. (CRD #28999)
Hauppauge, New York
(July 14, 2014)

Felix Investments LLC (CRD #148441)
Upper Saddle River, New Jersey
(July 7, 2014)

Microtrade Networks, Inc. (CRD #43558)
Las Vegas, Nevada
(July 7, 2014)

Pacific Cornerstone Capital Incorporated (CRD #40397)
Santa Ana, California
(July 14, 2014)

Penvest Securities, Inc. (CRD #23436)
Glenview, Illinois
(July 7, 2014)

Firms Suspended for Failing to Pay Arbitration Awards 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.)

Pacific Cornerstone Capital Incorporated (CRD #40397)
Santa Ana, California
(July 8, 2014)
FINRA Arbitration Case #12-02044

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.)

Barry Lee Adams (CRD #1631898)
Perrysburg, Ohio
(July 17, 2014)
FINRA Case #2014039838501

Christopher Lawrence Anderson (CRD #4799519)
Wantagh, New York
(July 24, 2014 – August 18, 2014)
FINRA Case #2014040182901

Saravana Ram Balakrishnan (CRD #5523079)
Oakland, California
(July 31, 2014)
FINRA Case #2014040683501

Joshua M. Barton (CRD #5884591)
Glenville, New York
(July 14, 2014)
FINRA Case #2013036370301

Theresa Maria Black (CRD #6053400)
New Haven, Connecticut
(July 21, 2014)
FINRA Case #2013039070601

Jason Alexander Bryan (CRD #6167416)
Windsor, Wisconsin
(July 14, 2014)
FINRA Case #2013037299701

Bryan Paul Caisse (CRD #2183083)
New York, New York
(July 21, 2014)
FINRA Case #2014039898201/FPI140005

Anthony Robert Calascione (CRD #5098042)
Long Branch, New Jersey
(July 3, 2014)
FINRA Case #2013038521301

Eric N. Clay (CRD #5856521)
North Little Rock, Arkansas
(July 24, 2014)
FINRA Case #2013039062701

Eugene Lovelle Cook (CRD #2801173)
Houston, Texas
(July 14, 2014)
FINRA Case #2013035991601

David Lee Ellington (CRD #2211348)
West Jefferson, North Carolina
(July 17, 2014)
FINRA Case #2012035065801

Adam Louis Goth (CRD #4520310)
Saylorsburg, Pennsylvania
(July 17, 2014)
FINRA Case #2013039125701

Mark David Hassell (CRD #4702405)
New York, New York
(July 3, 2014)
FINRA Case #2013038784201

Anna Khatchatrian Khai (CRD #4823670)
Glendale, California
(July 28, 2014)
FINRA Case #2014039693001

Steve Kim aka Jung Bok Kim (CRD #5787453)
Tracy, California
(July 1, 2014)
FINRA Case #2013038707501

Jomar Noe Lizardo (CRD #6186588)
Daytona Beach, Florida
(July 24, 2014)
FINRA Case #2014040285001

David Montanez (CRD #6128814)
Napa, California
(July 18, 2014)
FINRA Case #2013035870201

Xashary Backtash Pimentel (CRD #6047651)
Palisades Park, New Jersey
(July 21, 2014)
FINRA Case #2014040185201

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.)

Craig Henry Leach (CRD #6113839)
Boston, Massachusetts
(July 23, 2014)
FINRA Case #2013038556901

Jeff Ng (CRD #1234807)
Stamford, Connecticut
(July 23, 2014)
FINRA Case #2009019369302

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.)

Crystal Dawn Abraham (CRD #6140331)
Rossford, Ohio
(July 7, 2014)
FINRA Case #2014039988201

Leeann Vickie Allison (CRD #6021970)
Maggie Valley, North Carolina
(July 10, 2014)
FINRA Case #2014041109001

Bryan Wayne Anderson (CRD #3116269)
Hoover, Alabama
(July 31, 2014)
FINRA Case #2014041230201

Robert Stack Beyer II (CRD #2602180)
Kirkwood, Missouri
(July 7, 2014)
FINRA Case #2014039658801

Maria Ann Binette (CRD #1317548)
East Hartford, Connecticut
(July 17, 2014)
FINRA Case #2012033823701

Paul William Carpenter (CRD #2568650)
Burton, Michigan
(July 14, 2014)
FINRA Case #2013037001901

Donny Shin Chung (CRD #2239458)
Hoffman Estates, Illinois
(July 7, 2014)
FINRA Case #2014041158401

Jerry Allen Cicolani Jr. (CRD #2170580)
Richfield, Ohio
(July 7, 2014)
FINRA Case #2014041327601

Byron Ray Claflin (CRD #1516534)
Rockford, Washington
(July 24, 2014)
FINRA Case #2014040462801

Carlos Juan Cruz (CRD #5293087)
Manalapan, New Jersey
(July 18, 2014)
FINRA Case #2013036261501

Valiece Terry Davis (CRD #2236597)
Sterling Heights, Michigan
(July 10, 2014)
FINRA Case #2013038208701

William Stanley Davis (CRD #5705644)
Murfreesboro, Tennessee
(July 24, 2014)
FINRA Case #2014040139601

Dale Robert Delpit Jr. (CRD #5747155)
Fruitland, Florida
(July 21, 2014)
FINRA Case #2014039693601

Gregory Jack Dent (CRD #2438323)
Macon, Georgia
(July 21, 2014)
FINRA Case #2013038185401

Tauber Lawrence Emmings (CRD #1753977)
East Rochester, New York
(July 24, 2014)
FINRA Case #2014039930701

Jeffrey Lee Gainer (CRD #4370704)
Akron, Ohio
(July 7, 2014)
FINRA Case #2014041327401

William Joseph Gaspar (CRD #1490765)
Excelsior, Minnesota
(July 28, 2014)
FINRA Case #2014041311301

Eric Griego (CRD #5600606)
Salt Lake City, Utah
(July 18, 2014)
FINRA Case #2014039718801

Brett William Hagen (CRD #812847)
Centreville, Virginia
(July 21, 2014)
FINRA Case #2014040486601

Kelly Catherine Hood (CRD #6048976)
Richfield, Ohio
(July 7, 2014)
FINRA Case #2014041327701

David Alexander Lange (CRD #4198134)
Meridian, Idaho
(July 21, 2014)
FINRA Case #2014040505801

Patricia S. Miller (CRD #2302464)
South Park, Pennsylvania
(July 24, 2014)
FINRA Case #2014041294401

Jason Andrew Muskey (CRD #3061013)
Moosic, Pennsylvania
(July 21, 2014)
FINRA Case #2014041524402

Stewart Dibrell Patridge (CRD #3095012)
South Haven, Mississippi
(July 21, 2014)
FINRA Case #2014040562301

Paul Pikulin (CRD #5163996)
Brooklyn, New York
(July 7, 2014)
FINRA Case #2014040953101

Patrick Jean Francis Pinon (CRD #5893411)
Baldwin, New York
(July 10, 2014)
FINRA Case #2013038721001

Anthony Dean Robbins (CRD #4746894)
Mooresville, North Carolina
(July 21, 2014)
FINRA Case #2013039522401

Robert Cotton Thurmond (CRD #5059250)
Langley, Washington
(July 14, 2014)
FINRA Case #2013036170901

Lonnie Ray Wellman (CRD #4566014)
Winston Salem, North Carolina
(July 21, 2014)
FINRA Case #2013038213601

Ross Allen Whitesell (CRD #5034021)
Williamsport, Pennsylvania
(July 21, 2014)
FINRA Case #2014040141901

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.)

Iman Dauod (CRD #3126664)
Irvine, California
(July 14, 2014)
FINRA Arbitration Case #09-06899

Nicolas Rocco Libertella (CRD #4873436)

Boca Raton, Florida

(July 14, 2014)

FINRA Arbitration Case #12-02796

Brent W. Lowe (CRD #5602533)

Murrieta, California

(July 15, 2014)

FINRA Arbitration Case #12-03679

Nicholas L. Perugino (CRD #5452136)

Wilmington, Delaware

(July 1, 2014)

FINRA Arbitration Case #13-02195

Terry Gerard Roussel (CRD #1096602)

Laguna Niguel, California

(July 8, 2014)

FINRA Arbitration Case #12-02044

FINRA Fines Goldman Sachs Execution & Clearing, L.P. \$800,000 for Failing to Prevent Trade-Throughs in its Alternative Trading System

The Financial Industry Regulatory Authority (FINRA) announced that it has fined [Goldman Sachs Execution & Clearing, L.P.](#) \$800,000 for failing to have reasonably designed written policies and procedures in place to prevent trade-throughs of protected quotations in NMS stocks from November 2008 through August 2011 in connection with trading in its proprietary alternative trading system, SIGMA-X.

The Order Protection Rule generally requires that trading centers trade at the best-quoted prices or route orders to the trading centers quoting the best prices. FINRA found that from July 29, 2011, through August 9, 2011, there were more than 395,000 transactions executed in SIGMA-X where the execution traded through a protected quotation at a price inferior to the National Best Bid and Offer (NBBO).

During the eight-day trading period, Goldman Sachs was unaware that it was trading through a protected quotation in these instances. The trade-throughs were caused by market data latencies at SIGMA-X and were undetected in a timely manner. FINRA found that from November 2008 through August 2011, Goldman Sachs failed to establish, maintain, and enforce written policies and procedures that were reasonably designed to prevent trade-throughs of protected quotations in NMS stocks; and failed to regularly surveil to ascertain the effectiveness of its policies and procedures designed to prevent trade-throughs of protected quotations in NMS stocks.

In connection with the approximately 395,000 trade-throughs, Goldman Sachs returned \$1.67 million to disadvantaged customers.

Thomas Gira, Executive Vice President, FINRA Market Regulation, said, “It is imperative that firms take steps to ensure compliance with the SEC’s trade-through rule so that displayed trading interest is appropriately protected and customers do not receive executions at inferior prices. In today’s highly automated trading environment, FINRA has no tolerance for firms that fail to have robust policies and procedures to protect against trading through protected quotations.”

In settling [this matter](#), Goldman Sachs neither admitted nor denied the charges, but consented to the entry of FINRA’s findings.