

**COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE SECRETARY OF THE COMMONWEALTH
SECURITIES DIVISION
ONE ASHBURTON PLACE, ROOM 1701
BOSTON, MASSACHUSETTS 02108**

IN THE MATTER OF:)

BROOKVILLE CAPITAL PARTNERS LLC,)
ALI HABIB MAYAR,)
CHRISTOPHER F. VEALE)

RESPONDENTS.)

Docket No. E-2012-0118

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NOTICE OF ADJUDICATORY PROCEEDING

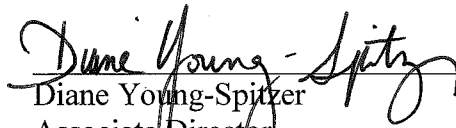
Please take notice that William Francis Galvin, Secretary of the Commonwealth, by his Enforcement Section of the Securities Division (respectively, the "Enforcement Section" and "Division") seeks an Order: Specifically, the Enforcement Section seeks an order: (1) requiring Respondents to permanently cease and desist from further conduct in violation of the Act and Regulations in the Commonwealth; (2) revoking the registration of Respondents Brookville and Mayar in the Commonwealth; (3) permanently barring the association or registration of all Respondents with any broker-dealer, issuer of securities, or investment adviser in the Commonwealth; (4) ordering Respondents to provide an accounting of all proceeds that were received as a result of the alleged wrongdoing and offer remuneration to fairly compensate the customer who suffered losses attributable to the alleged wrongdoing; (5) ordering Respondents to disgorge all proceeds and other direct or indirect remuneration received from the alleged wrongdoing; (6) ordering Respondent Firm to produce for the Enforcement Section's review a complete churning analysis for the senior investor's account, which shall include, but not be limited to, suitability, turnover rate, excessive amounts of brokerage commissions, a cost-equity

maintenance rate, and out-of-pocket losses; (7) finding as fact the allegations and facts set forth below; (8) finding that all sanctions and remedies detailed herein are in the public interest and necessary for the protection of Massachusetts investors; (9) imposing an administrative fine; and (10) taking any such further actions which may be necessary or appropriate in the public interest for the protection of Massachusetts investors. Respondents have the right to request an adjudicatory hearing at which they may show good cause why such an order and sanctions should not be entered. The adjudicatory proceeding is governed by Massachusetts General Laws, Chapter 110A and by the Rules set forth in Title 950 of the Code of Massachusetts Regulations beginning at Section 10.00.

The matters of fact and law in the proceeding are set forth in the Administrative Complaint, a copy of which is filed and served herewith.

In accordance with 950 Mass. Code Regs. 10.06(e), Respondents must file an answer to each allegation set forth in the Administrative Complaint within twenty-one (21) days after service upon Respondents. A Respondent who fails to file a timely answer may be deemed to be in default, and the allegations of the Administrative Complaint may thereupon be accepted as true and the proceedings determined against the defaulting party by issuance of a final order.

**WILLIAM FRANCIS GALVIN
SECRETARY OF THE COMMONWEALTH**



Diane Young-Spitzer
Associate Director
Massachusetts Securities Division
One Ashburton Place, Room 1701
Boston, Massachusetts 02108

Dated: January 15, 2014

**COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE SECRETARY OF THE COMMONWEALTH
SECURITIES DIVISION
ONE ASHBURTON PLACE, 17TH FLOOR
BOSTON, MASSACHUSETTS 02108**

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ADMINISTRATIVE COMPLAINT

I. PRELIMINARY STATEMENT

The Enforcement Section of the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth (the “Enforcement Section” and the “Division,” respectively) files this complaint (the “Complaint”) in order to commence an adjudicatory proceeding against Brookville Capital Partners LLC (“Brookville”); Ali Habib Mayar; and Christopher F. Veale for violations of MASS. GEN. LAWS ch. 110A, the Massachusetts Uniform Securities Act (the “Act”) and 950 MASS. CODE REGS. 10.00 *et seq.* (“Regulations”). The Enforcement Section of the Division alleges that from August 2010 through May 2012, the individual Respondents churned the account of a senior investor by causing numerous trades to be executed which enriched all the Respondents through brokerage commissions, while depleting the senior investor’s balances through trading losses and excessive transaction costs. In addition, once the senior investor complained about the commissions, Respondent Veale changed the method of effecting trades so that the senior investor’s confirmation statements did not contain a section titled “Commissions” in a calculated effort to hide the amount of commission equivalents being charged to the senior

investor. The Enforcement Section further alleges that the Respondent Brookville failed to adequately supervise the individual Respondents to ensure compliance with state and federal securities laws and regulations.

Specifically, the Enforcement Section seeks an order: (1) requiring Respondents to permanently cease and desist from further conduct in violation of the Act and Regulations in the Commonwealth; (2) revoking the registration of Respondents Brookville and Mayar in the Commonwealth; (3) permanently barring the association or registration of all Respondents with any broker-dealer, issuer of securities, or investment adviser in the Commonwealth; (4) ordering Respondents to provide an accounting of all proceeds that were received as a result of the alleged wrongdoing and offer remuneration to fairly compensate the customer who suffered losses attributable to the alleged wrongdoing; (5) ordering Respondents to disgorge all proceeds and other direct or indirect remuneration received from the alleged wrongdoing; (6) ordering Respondent Firm to produce for the Enforcement Section's review a complete churning analysis for the senior investor's account, which shall include, but not be limited to, suitability, turnover rate, excessive amounts of brokerage commissions, a cost-equity maintenance rate, and out-of-pocket losses; (7) finding as fact the allegations and facts set forth below; (8) finding that all sanctions and remedies detailed herein are in the public interest and necessary for the protection of Massachusetts investors; (9) imposing an administrative fine; and (10) taking any such further actions which may be necessary or appropriate in the public interest for the protection of Massachusetts investors.

II. SUMMARY

This is an enforcement action arising from multiple violations of state securities laws by Respondents Brookville, Ali Habib Mayar and Christopher F. Veale. Lack of meaningful

supervision and unethical and unscrupulous broker behavior is at the root of the problems that existed at Brookville. Mayar and Veale were allowed to engage in a pattern of abusive sales practices that involved unauthorized trading, churning, improper use of margin and unsuitable short sales.

Brokerage industry records indicate that Veale had moved from one troubled firm to another and his record included a prior disciplinary history rife with sales practice complaints, regulatory and disciplinary actions; all of which resulted in Veale being placed on heightened supervision during the majority of his registration with Brookville. Brookville knew all of this and yet for nearly two years, the illegal and fraudulent activities of Veale went uncorrected despite numerous red flags.

In August of 2010, an employee of Brookville cold-called an 81-year old resident of Rhode Island and Massachusetts business owner (“Senior Investor¹”). Senior Investor subsequently opened a securities account with Respondents Mayar and Veale as his brokers of record. At the time he opened the account, Senior Investor was still working at his masonry and stonework business. Veale and Mayar held themselves out as trustworthy brokers and successfully persuaded Senior Investor to open a “speculative” account at Brookville.

Throughout the life of the account, Veale and Mayar assured Senior Investor that they would make him a lot of money by profiting on stocks. At the outset, Mayar and Veale invested in securities recognized by Senior Investor such as Verizon, Caterpillar, and Chesapeake Energy. However, shortly thereafter, Mayar and Veale began trading securities such as American depository receipts, exchange traded funds, and exchange traded notes, which were unknown to Senior Investor. Mayar and Veale pressured Senior Investor to deposit additional funds into his

¹ Investor’s name and confidential financial information have been withheld to preserve the privacy of the complainant.

Brookville account, claiming that they needed “a certain amount of working capital” to make money for Senior Investor.

On one occasion, when Senior Investor questioned Mayar about the amounts of money that were being transferred into his Brookville securities account, Mayar replied that he would “need more money or I’m going to lose what you have in there.” Each time Senior Investor questioned Veale and Mayar about his account, the agents persuaded him to keep it open. Even when questioned by Senior Investor about excessive losses and six-figure margin calls, the agents assured Senior Investor that they would “turn it around.” Veale and Mayar continued to trade heavily despite indications that Senior Investor did not understand how margin worked and did not agree with short-term trading.

To meet his Brookville account obligations, Senior Investor cashed in certificates of deposit, liquidated a \$500,000.00 variable annuity policy, paying a surrender charge of \$11,000.00, and obtained a \$325,000.00 loan that charged four percent (4%) interest. Even though Veale and Mayar knew that Senior Investor had been forced to liquidate other investments at a loss and take out a loan to pay for margin calls and stock purchases, the brokers continued to trade heavily in the Senior Investor’s Brookville account.

For nearly two years, Veale and Mayar took advantage of Senior Investor’s Brookville account. Senior Investor attempted to close his Brookville account twice, but both times was convinced to keep the account open. Specifically, Veale persuaded Senior Investor that he could turn the account around and promised Senior Investor that he would significantly increase profits, but that the only way Veale could make that happen was if Senior Investor put in another \$200,000.00. Senior Investor deposited an additional \$200,000.00 using the remaining funds from the loan that he had obtained earlier and from investments that had been liquidated.

During this entire time, Brookville failed to detect or prevent Veale and Mayar's detrimental trading activity in Senior Investor's securities account. Not only did Veale and Mayar fail to respond to or report Senior Investor's concerns over commissions and the value of his account, they also failed to honor Senior Investor's requests to close out his account. In addition, after Senior Investor expressed concern over commissions, Veale changed his method of effecting trades in Senior Investor's account. Instead of charging commissions, which must be prominently disclosed on the trade confirmation, he effected trades using markups. Markups are commission equivalents, but do not need to be disclosed in the same manner as commissions on trade confirmations.

The annual turnover ratio of Senior Investor's Brookville account was approximately 207.35, well above the ratio indicative of churning and the cost-to-equity ratio was sixteen and half percent (16 ½ %). Ultimately, Senior Investor paid \$319,818.50 in commissions, markups, costs and fees; \$28,359.92 in margin interest; and suffered \$1,579,709.56 in out-of-pocket losses as a result of Respondents' actions.

During the twenty-three (23) months that the Brookville account was open, Senior Investor was induced by Respondents to deposit \$873,622.00 to meet margin calls and purchase investments. Veale and Mayar profited at Senior Investor's expense by making unsuitable and unauthorized trades and traded excessively in Senior Investor's account causing him to incur exorbitant commission and transaction costs.

Although Brookville had written supervisory procedures, the firm failed to ensure that these procedures were meaningfully carried out. As a result, Brookville ignored red flags and failed to detect, prevent or correct Mayar and Veale's securities violations. The Enforcement Section seeks to revoke the registration of Respondents Brookville and Mayar in the

Commonwealth and bar all Respondents permanently from the securities industry in the Commonwealth.

III. JURISDICTION AND AUTHORITY

1. The Massachusetts Securities Division is a Division of the Office of the Secretary of the Commonwealth with jurisdiction over matters relating to securities as provided for by the Act and the regulations promulgated thereunder. The Act authorizes the Division to regulate: (a) the offers and/or sales of securities; (b) those individuals offering and/or selling securities within the Commonwealth; and (c) those individuals transacting business as broker-dealer agents within the Commonwealth.

2. The Division brings this action pursuant to the enforcement authority conferred upon it by Section 407A of the Act and MASS. GEN. LAWS ch. 30A, wherein the Division has the authority to conduct an adjudicatory proceeding to enforce the provisions of the Act and all regulations and rules promulgated thereunder.

3. This proceeding is brought in accordance with Sections 101, 201, 204, and 407A of the Act and its Regulations. Specifically, the acts and practices constituting violations occurred within the Commonwealth of Massachusetts.

4. Respondents knew or should have known that Senior Investor had a business in Massachusetts and conducted business in both Rhode Island and Massachusetts.

5. When Senior Investor opened the Brookville account, he indicated that he owned a business in Massachusetts.

6. On at least four (4) occasions, Respondents received letters from Senior Investor that contained addresses in both Massachusetts and Rhode Island.

7. Both Respondent Veale and Respondent Mayar contacted Senior Investor by telephone and were contacted by Senior Investor by telephone while he was in Massachusetts.

8. The Division specifically reserves the right to amend this Complaint and/or bring additional administrative complaints to reflect information developed during the current and ongoing investigation.

III. RELEVANT TIME PERIOD

9. Except as otherwise expressly stated, the conduct described herein occurred during the period from August 2010 through June 2012.

IV. RESPONDENTS

10. Brookville Capital Partners LLC (“Brookville”) is a broker-dealer with a last known address of 384 RXR Plaza, Uniondale, New York 11556. Brookville was formerly known as New Castle Financial Services, LLC and before that, Trade Wall Street, Inc. Brookville has a Financial Industry Regulatory Authority (“FINRA”) Central Registration Depository (“CRD”) number of 102380. Brookville has been registered with Massachusetts since September 29, 2000 and with Rhode Island since July 22, 2005. On September 29, 2000, Trade Wall Street, Inc. now known as Brookville, agreed to certain conditions as part of its registration in Massachusetts including:

3) TWS will not conduct and will not permit any Massachusetts resident to pursue day-trading strategies. Day-trading is defined to mean an overall trading strategy characterized by the regular transmission by a customer of intra-day orders to effect both purchase and sale transactions in the same security or securities.

4) TWS understands by the terms of this agreement, TWS is not licensed to conduct direct access trading in Massachusetts and that conducting such activities and/or permitting Massachusetts residents to conduct such activities constitutes unregistered activity in violation of the registration requirements of Massachusetts General Laws Chapter 110A, Section 201.

(Emphasis added).

1. Ali Habib Mayar (“Mayar”) is an individual with a last known address of 9 Louis Drive, Melville, New York 11747. Mayar has a FINRA CRD number of 2622340. Mayar has been registered with Massachusetts since March 8, 2010. Mayar has been a registered representative with FINRA and Brookville since July 2009.

3. Christopher F. Veale (“Veale”) is an individual with a last known address of 10 Hanover Square, Apartment 20A, New York, New York 10004. Veale has a FINRA CRD number of 2536489. Veale has been registered with Rhode Island since January 5, 2010². Veale was a registered representative of Brookville from January 21, 2009 through June 28, 2012. Since leaving Brookville, Veale has been a registered representative of four (4) separate broker-dealers. Veale has been a registered representative with FINRA and Legend Securities, Inc. since May 21, 2013. Since 1994, Veale has been registered and employed with eighteen (18) different securities firms:

1. Stratton Oakmont Inc.
2. H.J. Meyers & Co.
3. D.L. Cromwell Investments, Inc.
4. IAR Securities Corp.
5. E.C. Capital LTD.
6. Winchester Investment Securities, Inc.
7. Sands Brothers & Co., Ltd.
8. S.W. Bach & Company
9. New York Global Securities, Inc.
10. Great Eastern Securities Inc.
11. The Concord Equity Group, LLC
12. Maximum Financial Investment Group, Inc.
13. Franklin Christopher Investment Bankers, Inc.
14. New Castle Financial Services LLC/Brookville Capital Partners LLC
15. Blackwall Capital Markets, Inc.
16. Meyers Associates, L.P.
17. John Thomas Financial
18. Legend Securities, Inc.

² This registration was approved pursuant to a Restrictive Agreement dated December 29, 2011.

VI. RELATED PARTY

1. Anthony Lodati (“Lodati”) is an individual with a last known address of 57 Ira Road, Apartment 390, Syosset, New York 11791. Lodati has a FINRA CRD number of 4877082. Lodati has been registered with Massachusetts since August 8, 2006. Lodati has been a registered representative with FINRA and Brookville since November 2004. Lodati is an owner of Brookville and holds the titles of CEO and Operations Professional.

VII. PRIOR DISCIPLINARY HISTORY

A. Brookville

1. On September 30, 2013, FINRA censured and fined Brookville and its President for failing to establish and maintain adequate supervisory systems and procedures with regard to the sale of exchange-traded funds. Brookville was fined \$25,000 and ordered to pay restitution of \$23,578.00. Brookville’s President was fined \$5,000.00.
2. On March 31, 2011, the state of New Jersey entered a Final Order fining Brookville for failing to comply with the terms of at least two heightened supervisory agreements executed as a condition of registration for those agents in the state of New Jersey.
3. On June 7, 2010, FINRA censured New Castle Financial Services LLC, now known as Brookville, and imposed a fine of \$200,000.00 for multiple failures to supervise, violations of anti-money laundering requirements, failing to establish a supervisory system to determine whether customer securities were registered or exempt, failing to maintain minimum net capital requirements, failing to disclose the felony conviction of a stock promoter in connection with a private placement, failing to abide by Do-Not-Call rules, and failing to follow procedures regarding heightened supervision of registered representatives.
4. On December 1, 2008, National Association of Securities Dealers (“NASD”) now known

as FINRA censured and fined Brookville \$15,000.00 for failing to transmit reportable events for more than a year.

5. On August 18, 2008, the Connecticut Department of Banking entered a Consent Order requiring New Castle Financial Services LLC, now known as Brookville, to cease and desist from operating an unregistered branch office which employed unregistered individuals who offered and sold unregistered and non-exempt securities to Connecticut residents and imposed a fine of \$50,000.00.

B. Lodati

6. On September 30, 2013, FINRA fined Lodati \$5,000.00 in connection with Brookville's failure to establish and maintain adequate supervisory system and procedures in connection with the sale of exchange-traded funds.

7. On April 14, 2010, FINRA fined Lodati \$30,000.00 for supervisory failures in connection with the sale of unregistered securities and private placements. In addition, Lodati failed to have adequate supervisory procedures in place for the general supervision of all of Brookville's registered representatives.

C. Mayar

8. On December 27, 1999, Mayar settled a customer complaint involving misrepresentations, unsuitability, and churning for \$270,000.00.

D. Veale

9. On December 9, 2009, Veale was licensed to sell securities in Rhode Island pursuant to a Restrictive Agreement. This Restrictive Agreement limited Veale to certain securities transactions and activities. Additionally, under the Restrictive Agreement, Brookville was responsible for special supervision of Veale for a period of two years, which effectively ended on December 12, 2011.

10. On September 7, 2005, the State of Illinois denied Veale's registration and Veale withdrew his request for registration.
11. On December 22, 2004, the NASD fined Veale \$10,000.00, required him to pay restitution of \$36,696.48, and suspended him for forty-five (45) days for engaging in unsuitable and excessive trading in the accounts of three (3) customers while employed by S.W. Bach & Company.
12. Respondent Veale has had the following customer complaints:
 - a. August 17, 2004: Settlement for \$90,000.00 in connection with unsuitable and excessive trading.
 - b. May 5, 2004: Settlement for \$17,225.00 in connection with poorly managing an account and charging high commissions.
 - c. January 30, 2004: Settlement of \$20,750.00 in connection with excessive losses.
 - d. January 29, 2003: Settlement of \$35,000.00 in connection with unauthorized trades.
 - e. January 21, 2003: Settlement of \$17,562.09 in connection with overcharging commissions.
 - f. July 1, 2002: Settlement of \$15,000.00 in connection with unauthorized trading.
 - g. May 23, 2002: Settlement of \$25,000.00 in connection with unauthorized trading.

VIII. ALLEGATIONS OF FACT

A. Senior Investor

1. Senior Investor was eighty-one (81) years old at the time he opened his investment account with Brookville. Senior Investor is a Rhode Island resident and owned a commercial masonry business in Massachusetts.
2. Senior Investor worked full-time until December 2011, when he semi-retired.

3. Senior Investor's previous investment experience consisted of a securities account held at another investment firm. This non-Brookville account held approximately \$95,000.00 of mutual funds and the stated objective was "income."
4. Senior Investor also held some insurance and bank products, one of which was a \$500,000.00 variable annuity policy that he was forced to liquidate prior to maturity costing him \$11,000.00 in surrender charges.
5. At the time that Senior Investor was cold called, Brookville employed approximately thirty (30) people whose job was to cold call, develop leads and open new accounts for the registered agents who paid their salaries.
6. In August, 2010, a salesperson from Respondent Brookville cold-called Senior Investor to open a securities investment account.
7. The Brookville cold-caller worked for both Mayar and Veale. Any leads developed by the cold-caller, including Senior Investor, were opened as a joint account between Mayar and Veale and commissions were paid to both brokers.
8. During the entire time that Senior Investor's Brookville account was open, commissions were jointly shared between Mayar and Veale.
9. From the beginning, Senior Investor provided Mayar and Veale with his home telephone number and his cellphone number. Senior Investor provided the cellphone number to the Brookville agents for calls during the day when he worked at commercial masonry jobs in both Massachusetts and Rhode Island. Senior Investor testified that he received and made calls from his work and home to both Brookville agents.
10. Prior to opening the Brookville account, Mayar called Senior Investor to introduce himself. After that, new account paperwork was sent to the Senior Investor. Senior Investor

testified that this new account paperwork was “already filled out, I just signed it” and “I don’t think I read everything” because the “stuff they sent me had a lot of fine print.”

11. Furthermore, Senior Investor stated that he merely “glanced at the papers” because he “was assuming that these guys were honest people.”

12. In glancing over the account opening documentation, Senior Investor recognized clearly inaccurate information. He testified that he told Mayar to lower his net liquid net worth because five (5) million dollars was wrong and to lower his annual income from \$200,000.00 to \$100,000.00.

13. When the account was opened in August of 2010, Senior Investor stated that “they [Mayar] talked about stocks, Verizon, Chesapeake Gas, Caterpillar, that’s how they got me started; they sounded good.”

14. When questioned about the stocks that later appeared in his portfolio, Senior Investor stated that he did not know what American depository receipts, exchange-traded funds, or exchange-traded notes were and that neither Mayar nor Veale explained to him what these securities were. Senior Investor testified that, “most of these stocks they were buying, I never heard of them.”

B. Abusive Sales Practices

1. Margin³

15. Section 9.6.6 of Brookville’s Written Supervisory Procedures (“WSP”) specifically state with regard to margin accounts that:

Margin accounts may involve more risk than cash accounts, depending on a number of factors including leverage used and types of transactions. The RR [Registered Representative] is responsible for determining the suitability of

³ A margin account is a brokerage account in which the broker lends the customer cash to purchase securities. The loan in the margin account is collateralized by the securities and cash in the customer’s account. Interest is charged on these loans.

margin trading in a customer's account including understanding the customer's investment objectives and financial profile.

16. In May of 2011, Brookville sent Senior Investor paperwork to open a margin account.

Senior Investor could not remember receiving or signing the margin account opening documents.

17. Senior Investor's securities account held at another investment firm was entirely made up of mutual funds. Margin trades were not placed in that account.

18. Senior Investor testified that he "never knew anything about margin" and that he "thought you had to have the money to buy the stock."

19. Senior Investor explained that he thought margin was "they buy it and then you can only hold onto the stock for so long and then you gotta sell it."

20. In testimony provided to the Enforcement Section, both Mayar and Veale stated that they spoke to Senior Investor and they thought he understood margin.

21. Senior Investor recalled an incident where a resort casino stock had been bought for his Brookville account. When he received his statement he called and told the agents, "why don't you hold onto it?" Instead, it was sold at a loss. When he called to find out why it was sold, the reason he received from the agents was, "you can't hold onto it when it's on margin." At no time during this incident did either agent explain margin investing to Senior Investor or disclose that stocks bought on margin can be sold without notifying the customer in order to meet minimum margin requirements.

22. When Senior Investor received a margin call⁴: it "came as a complete surprise."

23. From June 2011 through June 2012, Senior Investor paid \$28,359.92 in margin interest in his Brookville account. During at least four (4) of these months, the average amount of

⁴ A margin call is a broker's demand that a customer deposit additional money or securities or sell assets in the account in order to bring the customer's margin account up to the minimum maintenance margin. If the value of securities held as collateral in a customer's margin account drops sufficiently, a "margin call" will be made and the account holder will be required to deposit more cash or sell a portion of securities.

purchases on margin was over a million dollars. Brookville charged 8% interest on margin loans.

24. On information and belief, Mayar and Veale did not fully explain how margin accounts worked to Senior Investor; ignored indications that Senior Investor did not understand how margin accounts work; and recommended and effected unsuitable transactions in Senior Investor's Brookville account.

2. Active Account/Short-Term Trading

25. Section 10.4.1 of Brookville's WSP states that:

RRs [Registered Representatives] must have a reasonable basis for recommending securities transactions. Recommendations should be based on information known about the customer including new account information and updates to new account information. Information of particular importance includes the customer's other security holdings, financial situation and needs, and stated investment objectives.

26. Section 9.10.1 of Brookville's WSP specifically states with regard to senior investors that:

When opening and handling accounts for senior investors, there are certain considerations in addition to usual account handling procedures. There is no benchmark for what constitutes a "senior" or "older" investor, but generally these are individuals who are approaching or have achieved retirement.

27. Section 9.10.2 of Brookville's WSP regarding "Recommendations to Senior Investors" states that:

Suitability considerations are a concern for all types of accounts. While suitability requirements do not specifically refer to age or life stage, these factors should be considered when making recommendations to older investors. Considerations when dealing with senior investors include:

- Current and future prospects for employment
- Primary expenses including whether the customer still has a mortgage
- Sources of income and whether it is fixed or will be in the future
- Income needed to meet fixed or anticipated expenses
- Savings for retirement and how they are invested

- Liquidity needs
- Financial and investment goals (income needs, preservation of capital, accumulation of assets for heirs)
- Health care insurance and future needs to fund health costs

28. Section 9.4 of Brookville's WSP requires its agents and supervisory personnel to "promptly update customer new account information whenever they are informed or become aware of changes."

29. From August 2010 through June 2012, Mayar and Veale placed three-hundred and ten (310) transactions in Senior Investor's Brookville account. In the busiest month, February 2012, they effected thirty-nine (39) transactions in Senior Investor's account. Moreover a substantial number of these transactions were intra-day transactions and/or involved transactions in the same securities.

30. Senior Investor signed Brookville's active account form letters, which were titled "Intent to Maintain an Active Account" on two occasions (May 24, 2011 and February 14, 2012). Senior Investor did not know the purpose of these letters, nor did he know what maintaining an "active account" meant. Senior Investor testified that he questioned both Mayar and Veale about this letter, but they explained that the letter was needed for them to buy more stock for his account.

31. The active account letters also did not explain why Brookville was sending the letters to investors and were not sent with a cover letter. The body of the form letters did not identify the respective accounts as "actively traded" nor indicate that a certain number of trades or a certain amount of turnover had taken place. The active account letters simply stated that "certain clients may trade frequently causing a high turnover of their assets." In addition, the letter stated that client "attests that he is an active trader and may trade the market frequently giving the volatility of the market."

32. At no time did Mayar or Veale explain or describe “short-term trading” or “day-trading” to Senior Investor.

33. Senior Investor testified that he did not understand why Mayar and Veale had to sell his stocks and he called them after receiving his monthly statements and asked why they had to sell. Senior Investor stated that at no time during these calls did the broker-dealer agents explain that they were purchasing large amounts of stock using margin or that they were short-term trading in his account.

34. On information and belief, Mayar and Veale did not explain “day-trading” or “short-term trading” to Senior Investor; ignored indications that Senior Investor did not agree with short-term trading or understand short-term trading; and recommended and effected unsuitable transactions in Senior Investor’s Brookville account.

4. Fraudulent Churning⁵

35. Section 10.41.10 of the WSP prohibits churning of accounts by Brookville agents and specifically states that “churning of a customer’s account is prohibited” and that churning includes:

- Control of the account by the RR [Registered Representative]
- Excessive transactions
- Intent to defraud which may be defined as the RR acting in the RR’s own interest contrary to the customer’s interest

36. Section 9.8 of Brookville’s WSP states that “Brookville does **not** permit discretionary accounts where the customer signs a discretionary trading authorization and permits the RR to make decisions for the account without consulting the customer first.” (Emphasis in original.)

37. Senior Investor testified that since the opening of the Brookville account, both Mayar and Veale “were supposed to contact me too, when they were selling and buying, but they never

⁵ Churning occurs when a securities broker buys and sells securities for a customer’s account, without regard to the customer’s investment interests, for the purpose of generating commissions.

did.” Furthermore, Senior Investor told Mayar and Veale during two face-to-face meetings that he wanted “to be informed on every stock they bought and sold, told them both when I met them.”

38. Senior Investor stated that he spoke to Mayar frequently, but did not authorize all of the transactions that took place in his Brookville account. In many instances, Senior Investor only learned about transactions after they had taken place.

39. At no time did Senior Investor provide discretionary authority to Mayar for his Brookville account. Thus, Mayar exercised *de facto* control over Senior Investor’s Brookville account.

40. Senior Investor spoke to Veale frequently, but did not authorize all of the transactions that took place in his Brookville account and learned about many transactions after they had taken place.

41. At no time did Senior Investor provide discretionary authority to Veale for his Brookville account. Thus, Veale exercised *de facto* control over Senior Investor’s Brookville account.

42. The turnover ratio in Senior Investor’s Brookville account indicates churning. The annualized turnover rate⁶ was approximately 207.35. This is well in excess of the six (6) times generally acceptable benchmark which has been used to demonstrate excessive trading activity.

43. The cost-to-equity ratio⁷ in Senior Investor’s Brookville account also indicates churning. The annualized cost-to-equity ratio for the duration of the account was sixteen and half (16 ½) percent. This represents the amount that Senior Investor’s Brookville account would have had to

⁶ The annual turnover rate is the number of times per year a customer’s securities are replaced by new securities. It is derived by dividing the gross amount of securities purchased in a customer’s account during a given period by the average value of the equity in the account during that same period and annualizing that number.

⁷ The cost-to-equity ratio or breakeven percentage is the rate of return that an account would have had to earn on an annual basis in order to cover transaction costs, and thus to break even. It is derived by dividing the total amount of commissions, markups, markdowns, costs, and margin interest by the average equity in the account and annualizing that number.

earn to pay for the commissions generated by the brokers' excessive trading. This is well in excess of the twelve (12) percent generally acceptable benchmark that has been used to conclusively demonstrate excessive trading activity.

44. From August 2010 through June 2012, Senior Investor paid \$319,818.50 in commissions, markups, costs and fees.

45. From August 2010 through June 2012, Senior Investor paid \$28,359.92 in margin interest.

46. On information and belief, the trading in Senior Investor's Brookville account was unsuitable and excessive in light of Senior Investor's age, financial resources, and lack of understanding about the type of trading and nature of securities in his Brookville account.

4. Deceptive Acts and Practices

a. *Unauthorized Transactions*

47. Section 10.41.2 of Brookville's WSP prohibits unauthorized trading by agents. Senior Investor testified that he frequently did not know about transactions until they were reported on his monthly statements or on trade confirmations. Respondents Veale and Mayar failed to comply with this section of Brookville's WSP.

48. Section 9.8 of Brookville's WSP specifically states that in the normal course of business no agent of Brookville shall have discretionary authority to trade in a customer's account.

49. In addition, Senior Investor told Mayar and Veale from the very beginning that he wanted to be informed of every trade.

50. However, Mayar and Veale often effected transactions first and called Senior Investor afterward to send funds by the settlement date.

51. Senior Investor testified that he learned of transactions Mayar and Veale made only after receiving confirmations, monthly statements or calls to deposit more funds into his Brookville account.

52. Respondents Mayar and Veale effected transactions in Senior's Investor's Brookville account without discretionary authority and in contravention of Brookville's stated policies and procedures.

b. Failure to Comply With Senior Investor's Instructions

53. In addition to failing to obtain the consent of Senior Investor prior to placing trades in his Brookville account, Mayar and Veale also failed to follow Senior Investor's specific requests regarding certain transactions and closing his Brookville account.

54. Brookville WSP 1.16.6 prohibits agents from settling complaints or errors directly with customers and states "Errors and complaints must be brought to the attention of the employee's designated supervisor."

55. In addition Brookville WSP 5.7.3 requires that:

Oral complaints should be reported immediately to the designated supervisor for sales practice issues to Operations for operational issues. Examples of sales practice issues include complaints regarding losses, improper trades, and other complaints involving the quality of investment or wrongdoing by the RR or BROOKVILLE. . . RRs [Registered Representatives] should not make independent decisions regarding whether to report complaints; all oral complaints should be reported either to the designated supervisor or Operations.

56. On numerous occasions, Senior Investor verbally told Mayar and Veale his concerns about his account.

57. No records were provided to the Enforcement Section regarding reports of Senior Investor's concerns to Brookville supervisors, compliance, or operations.

58. On at least one occasion, Senior Investor recalled that he had been following Apple, Inc. stock and told Mayar, “why don’t you jump on this Apple stock,” but Mayar did not do it.

59. In addition to failing to obtain the consent of Senior Investor prior to placing trades in his Brookville account, Respondent Veale failed to comply with Senior Investor’s instructions regarding his Brookville account.

60. On at least two occasions, Senior Investor instructed Veale to close his Brookville account, but he did not. In October 2011, Senior Investor asked Veale, “[w]hy don’t you close that thing out, we aren’t getting anywhere.” By promising to make very high returns in the Brookville account, Veale was able to persuade Senior Investor to keep the account open and induce him to make an additional deposit of \$200,000.00.

61. In April of 2012, Senior Investor again instructed Veale to close the account because he wanted to preserve the remaining money, but Veale did not close the account. Instead, Veale continued to make unauthorized transactions in the account which detrimentally impacted the value of the account. Brookville account

62. Mayar and Veale effected transactions in Senior Investor’s without discretionary authority and against the specific instructions of Senior Investor in contravention of Brookville’s stated policies and procedures.

c. Use of Markups in Place of Commissions to Deceive the Senior Investor

63. In the middle of 2011, Senior Investor requested two face-to-face meetings with the Brookville agents. The first meeting took place with both Mayar and Veale and the second with Veale alone.

64. Senior Investor had requested these meetings so he could get to know Mayar and Veale. He stated, "I wanted to meet these guys, see what they were doing" and during the meeting they were "talking big, going to make money for me."

65. At both meetings, Senior Investor reiterated that he wanted to be informed of every trade. Senior Investor had told Mayar and Veale of this request from the time that he opened the account.

66. By the end of June 2011, Senior Investor had deposited \$638,622.00 in his Brookville account.

67. Senior Investor was concerned about the large amount of money that he had deposited with Mayar and Veale, about the trading activity in the account, and the commissions charged. He verbally relayed those concerns to Mayar and Veale at these face-to-face meetings.

68. Senior Investor was so concerned about commissions that he wanted Mayar and Veale to agree to an arrangement whereby the agents would only take commissions when Senior Investor made money on a stock and not when the trade lost money. Mayar and Veale verbally agreed to this arrangement.

69. Trading Records show that Mayar and Veale did not comply with this verbal arrangement.

70. In or about July 2011, Veale took control of Senior Investor's Brookville account. Veale informed Senior Investor of this in a telephone conversation during which Veale stated, "I'm more capable of handling the account; Mayar's just a salesman."

71. After July 2011, nearly all of Senior Investor's Brookville trade confirmations no longer showed commissions; instead, transactions were made using "markups" which were not required to be disclosed in the same manner as commissions on account statements.⁸

72. Mayar and Veale failed to disclose the change from commissions to markups to Senior Investor.

73. Senior Investor stated that he never discussed markups or markdowns with either Mayar or Veale. Senior Investor does not understand markups and markdowns.

74. Moreover, when Senior Investor sent Veale a facsimile listing all of the transactions that he believed had unwarranted commissions, he did not include any transactions with markups.

75. Senior Investor did not understand the total transaction costs he was incurring through the trading of his Brookville account.

76. In addition, Senior Investor did not understand that for certain transactions he was paying the equivalent of commissions in the form of markups to Brookville and its agents.

77. On information and belief, Veale's undisclosed replacement of commissions with markups was a deliberate effort to deceive and defraud Senior Investor.

d. Dishonest and Unethical Conduct: Unsuitable Recommendations

78. When Senior Investor initially opened the Brookville account, he deposited approximately \$3,000.00 to "try out" the agents. However, after a few months, Mayar persuaded Senior Investor that he needed "a certain amount of working capital" to make more money for Senior Investor.

⁸ Broker-dealers have several ways of effecting transactions. One way is to act as agent for the buyer or seller and arrange for the order to be executed through a stock exchange: broker-dealers usually charge a commission for this service. In a markup or markdown situation, the broker sells stock to the customer from its inventory or places in its inventory stock that the customer sells. The markup is the difference between what the broker-dealer paid for the security and the price that the firm charges the customer. The markdown is the difference between the sale price of the security and the price charged to the customer.

79. From approximately August 2010 through June 2011, Mayar was in control of Senior Investor's Brookville account. During this time, Mayar induced Senior Investor to deposit \$638,622.00.

80. When Senior Investor questioned Mayar about the amounts that he had to transfer into his Brookville account, Mayar replied that he would "need more money or I'm going to lose what you have in there."

81. During the middle of 2011, Senior Investor stated that he met with Mayar and Veale to go over his Brookville account. During the two in-person meetings, he relayed his concerns over the commissions being charged and the two agents agreed that they would only charge him a commission if they profited on a stock.

82. Senior Investor stated that he brought up his concerns over commissions many times after the in-person meetings and that, "they [Veale and Mayar] were always like 'we'll turn it around'."

83. From August 2010 through December 2012, Senior Investor deposited \$873,622.00 to pay for stock purchases and to meet margin calls.⁹

84. In order to meet his Brookville account obligations, Senior Investor cashed in certificates of deposit, liquidated a \$500,000.00 variable annuity policy and paid a surrender charge of \$11,000.00 and obtained a \$325,000.00 loan that charged 4% interest with his other securities account as collateral.

85. Senior Investor paid interest twice on the same funds: 4% interest on the \$325,000.00 loan and 8% interest on any investment purchases made on margin in his Brookville account from June 2011 through June 2012.

⁹ During this time, from August 2010 through June 2012, Senior Investor also withdrew \$150,000.00 from his Brookville account.

86. Senior Investor told both Mayar and Veale numerous times about where the funds deposited in the Brookville account came from. Senior Investor stated, "I told them a dozen times I got a loan to pay back, this money I'm mailing you is money I'm borrowing."

87. Mayar and Veale failed to update Senior Investor's account information including his brokerage profile to reflect the change in Senior Investor's financial circumstances. In addition, Mayar and Veale made unsuitable recommendations and trades in Senior Investor's account even after they learned of his changed financial circumstances.

88. Section 10.4.1 of Brookville's WSP states:

RRs must have a reasonable basis for recommending securities transactions. Recommendations should be based on information known about the customer including new account information and updates to new account information. Information of particular importance includes the customer's other security holdings, financial situation and needs, and stated investment objectives.

89. Veale and Mayar did not have a reasonable basis for recommending the transactions that took place, particularly in light of Senior Investor's lack of understanding of the type and nature of trading, Senior Investor's liquidation of his other investments, and the loan obtained for the purpose of meeting margin calls and making additional securities purchases in Senior Investor's Brookville account.

e. Dishonest and Unethical Conduct: Side Agreements

90. After losing a substantial amount of money, Senior Investor was ready to close out his account in October of 2011.

91. When he called Veale to discuss this, Veale persuaded him to keep the account open by promising Senior Investor that he would make the account profitable or make a settlement of \$500,000.00 (the "October 2011 Side Agreement"). However, Veale represented that the only

way that he could make a profit was for Senior Investor to put more money into the Brookville account.

92. Senior Investor testified that Veale explained that the, “[o]nly chance of me getting my money back was to throw in another \$200,000.00. I was hesitant on doing it.”

93. However, Veale was able to persuade Senior Investor and on October 4, 2011, Senior Investor deposited \$200,000.00 in his Brookville account.

94. After sustaining further trading losses in November and December of 2011, Senior Investor sent a letter on January 12, 2012 to Veale and Brookville listing transactions since the account opening and the commissions charged, calling them “Excess Charges.”

95. On January 17, 2012, Senior Investor sent another letter to Veale and Brookville referencing the October 2011 Side Agreement which specifically stated that he expected Veale to pay \$25,000.00 a month or a settlement of \$500,000.00 plus.

96. After this letter referencing the October 2011 Side Agreement, Veale again made promises to Senior Investor, this time promising to return the account to \$800,000.00 by August of 2012 (the “February 2012 Side Agreement”).

97. On February 27, 2012, Senior Investor sent a letter that referenced the February 2012 Side Agreement stating: “Agreement between [Senior Investor] and Chris Veale Brookville Capital Partners That on Aug. 15, 2012 Portfoio [sic] will be back at \$800,000.00 les [sic] payments. That the amount of \$71,500 will be returned in the form of commissions, [i]f this does not happen.”

98. After receiving the February 27, 2012 letter, Veale wrote and typed a letter agreement dated March 9, 2012 and sent it to Senior Investor to sign. The letter stated in part:

Please understand that my prior fax should not be misunderstood or misinterpreted as a complaint regarding Mr. Veale. I was concerned about the performance of my account regarding the rate of commission being charged.

(Emphasis added).

99. Senior Investor had no recollection of signing this letter.

C. March 19, 2012 Settlement Agreement

100. At all times during the time that Senior Investor held an account at Brookville, Mayar and Veale were the joint brokers of record and shared commissions on all transactions effected in Senior Investor's Brookville securities account.

101. As a result of Senior Investor's January 17, 2012 letter and February 27, 2012 letter, Mayar and Veale signed an agreement on March 19, 2012 to pay Senior Investor \$71,500.00 in eighteen (18) monthly installments starting April 15, 2012 (the "March 2012 Settlement Agreement"). Brookville compliance and supervisory personnel knew of the March 2012 Settlement Agreement and that Mayar and Veale were to each pay half of the settlement amount.

102. Senior Investor testified that because of previous trading activity in his account, he instructed Brookville compliance and supervisory personnel to send any settlement money directly to his home. However, the first \$8,000 payment was deposited by Brookville into his securities account and subsequently lost as a result of trading activity.

103. Senior Investor's Brookville account was finally closed in June of 2011.

104. Veale persuaded Senior Investor to transfer the account to Veale's new employer, Blackwall Capital Markets, Inc. That account was closed in August of 2012 and the remaining securities and funds were transferred back to Senior Investor's other investment account.

105. By November of 2012, Mayar had paid \$35,750 and Veale had paid \$20,000 of the money owed to Senior Investor under the March 2012 Settlement Agreement. Senior Investor

informed Brookville by facsimile that Veale's November 2012 and December 2012 payments had not been received.

106. In or about September 2013, Senior Investor received a call from the President of Brookville, Lodati, who offered to pay the \$15,000.00 with interest that Veale still owed to Senior Investor. Even though Senior Investor believed that all of the commissions over the life of the account should have been returned, he decided, "bird in the hand, I'll grab the seventy-one five."

107. On September 13, 2013, Brookville paid the remainder of the settlement money Veale owed to Senior Investor under the March 2012 Settlement Agreement.

D. Brookville's Failure to Comply With Written Supervisory Procedures

108. Under section 2.4.3 of Brookville's WSP, the branch office manager or other designee must review an agent's transactions particularly with regard to "very active trading" and "high risk trading patterns."

109. On information and belief, Brookville failed to identify "items of concern" as the firm was required to under this section.

110. Under section 2.16.15 of the WSP, Brookville is required to review accounts to "identify any out-of-state accounts where the RR [registered representative] may not be registered."

111. Brookville compliance and supervisory employees were on notice after January of 2012 that Senior Investor listed a Massachusetts as well as a Rhode Island address on correspondence.

112. Brookville failed to detect or prevent Veale's unregistered activities in Massachusetts.

113. Section 4.7 of the Brookville WSP provides requirements for supervisory and compliance personnel in connection with "heightened supervision" of agents.

114. Brookville failed to meaningfully carry out its duties and responsibilities regarding heightened supervision of Veale.

115. Under section 9 of the WSP, Brookville and its agents are required to comply with FINRA's "know your customer" rule to make suitable recommendations and service all customer accounts. Brookville, Mayar and Veale failed to comply with this requirement.

116. Brookville is required under section 9.2 of its WSP to review an "Active Account Report" on a monthly basis. Given the age of Senior Investor and the trading activity in his account, Brookville at a minimum should have taken any of the "further actions" as outlined in this section of the WSP.

117. Section 9.10.2 titled "Recommendations to Senior Investors" of Brookville's WSP requires Brookville employees to give special consideration to accounts being opened and handled for "senior investors" who are described as "individuals who are approaching or have achieved retirement." Brookville, Mayar and Veale failed to comply with these requirements.

118. In addition, section 10.4 of Brookville's WSP addresses the supervisory employee's responsibility regarding the suitability of recommendation to customers.

119. Brookville failed to reasonably carry out its responsibilities under its own WSP to ensure that the nature and type of trading and securities in Senior Investor's account were suitable.

120. Under 10.5.1 of the WSP, Brookville supervisory personnel are required to review the reasonableness of commissions. Brookville failed to conduct this review of Senior Investor's securities account.

121. Under 10.5.2 of the WSP, Brookville supervisory personnel are required to review the reasonableness of markups and markdowns. Brookville failed to conduct this review prior to the signing of the March 19, 2012 Settlement Agreement.

122. The March 2012 Settlement Agreement specifically states that “Veale and Mayar agree not to charge [Senior Investor] a commission (exclusive of incidental fees, postage, etc.) in excess of one-half of one percent (0.5%) of the trade value of any single transaction.”

123. Brookville knew and permitted Veale to place trades using markups instead of commissions in Senior Investor’s account in direct violation of the spirit of the March 19, 2012 Settlement Agreement.

124. Section 10.16.2 of the WSP requires Brookville to review accounts for unauthorized securities transactions.

125. Senior Investor testified that he frequently did not know about transactions until they were reported on his monthly statements or on trade confirmations. Brookville failed to detect or prevent Mayar and Veale’s unauthorized transactions in Senior Investor’s Brookville account.

126. Section 10.16.3 of the WSP requires Brookville to review accounts for excessive commissions.

127. Senior Investor paid \$319,818.50 in commissions and commission equivalents during the life of the account. Brookville failed to reasonably review Senior Investor’s account for excessive commissions.

128. Section 10.5.2 of the WSP requires Brookville to review accounts to ensure that markups and markdowns are reasonable.

129. Veale charged Senior Investor markups on transactions placed after the March 2012 Settlement Agreement. Brookville failed to detect or prevent the unreasonable use of markups by Veale.

E. Brookville's Failure to Supervise

1. Failure to Supervise Respondents Mayar and Veale

130. Mayar and Veale were, at all relevant times, broker-dealer agents of Brookville.

131. Brookville was directly responsible for the supervision of Mayar and Veale.

132. Brookville was required to supervise agents to prevent violations of state and federal securities laws.

133. Although Mayar and Veale were denoted "independent contractors," they acted as Brookville's agents as defined by MASS. GEN. LAWS ch. 110A, § 401(b).

134. Mayar and Veale were acting within the scope of their employment or work at the time they committed the acts described above.

135. Brookville had written supervisory procedures regarding unauthorized transactions, account reviews by designated supervisors, unauthorized trading, and churning.

136. Brookville failed to take reasonable steps to maintain and enforce these written supervisory policies and procedures.

137. Brookville failed to take reasonable steps to detect and prevent dishonest and unethical practices including recommending and making unsuitable trades, failing to act in the best interests of the customer, and failing to detect or prevent churning in Senior Investor's account.

138. Brookville was required to closely supervise Veale because Veale had been on heightened supervision since beginning employment with Brookville and remained on heightened supervision during the majority of the time he was employed at Brookville. The heightened supervision was the result of numerous customer complaints about Veale during his tenure with previous firms.

139. The heightened supervision was also the result of the Rhode Island Restrictive Agreement that was a condition of Veale's securities license in that state. This Restrictive Agreement was in effect from December 29, 2009 through December 29, 2011.

140. According to his personnel file, Veale was on heightened supervision with Brookville from October 3, 2011 through January 14, 2011 and subsequently placed back on heightened supervision for the remainder of his employment with Brookville.

141. On October 2, 2011, Lodati was copied on one memorandum regarding Respondent Veale's heightened supervision.

142. Brookville failed to carry out its responsibilities to adequately supervise Veale while he was under heightened supervision.

2. Brookville Ignored Red Flags

143. During the time that Senior Investor's Brookville account was open, Brookville compliance and supervisory personnel occasionally contacted Senior Investor; however, Brookville failed to meaningfully ascertain whether Senior Investor understood the number and type of transactions effected in his account.

144. Brookville knew of the October 2011 Side Agreement that demanded Veale pay \$25,000.00 per month or make a one-time settlement of \$500,000.00. The copy of the facsimile referencing the October 2011 Side Agreement included a note that this communication from Senior Investor was copied to "Anthony Lodati" as well as compliance, Veale and Mayar.

145. Brookville also knew of a February 13, 2012 letter from Senior Investor which included a copy of a trade confirmation from June 29, 2011 that charged a commission of \$13,300.00. On the copy Senior Investor wrote "This fee is ridilus (ridiculous)." A notation on the letter indicates that it was circulated to A. Lodati, as well as C. Veale and J. Rosenberg.

146. Compliance records show that Brookville also knew of the February 2012 Side Agreement and Senior Investor's February 13, 2012 letter complaining about excessive commissions.

147. Brookville ignored red flags related to Senior Investor's account.

148. Brookville compliance records do not indicate that any corrective actions or sanctions were taken in connection with Senior Investor's written complaints.

149. Brookville failed to implement reasonable measures to prevent or detect the excessive trading in Senior Investor's account which directly led to Senior Investor's \$1,579,709.56 out-of-pocket loss.

3. Failure to Supervise After the March 2012 Settlement Agreement

150. The March 2012 Settlement Agreement required Mayar and Veale to pay \$71,500.00 to Senior Investor and not to charge commission above one-half of one percent (0.5%) on any transactions in Senior Investor's account.

151. Brookville supervisory and compliance personnel and Lodati were copied on the March 2012 Settlement Agreement.

152. Even after the March 2012 Settlement Agreement, both Mayar and Veale continued to be brokers of record on Senior Investor's Brookville account.

153. Brookville did not provide any documentation to the Enforcement Section regarding any corrective action or sanctions taken in connection with the March 2012 Settlement Agreement.

154. From March 2012 through June 2012 when the account was closed, Veale made forty-four (44) transactions using markups instead of commissions. This trading activity had a detrimental impact on Senior Investor's Brookville account.

155. During this same time, Veale ignored Senior Investor's instruction to close the account.

156. Brookville knew that Veale was on heightened supervision; Brookville was in receipt of letters indicating unethical side agreements made by Veale, and Brookville knew of the March 2012 Settlement Agreement. As a result, Brookville knew or should have known of Veale's conduct in violation of state and federal securities laws and regulations.

IX. VIOLATIONS OF THE MASSACHUSETTS UNIFORM SECURITIES ACT

A. Count 1: Violation of MASS. GEN. LAWS ch. 110A, §101

1. Section 101 of the Act states that:

It is unlawful for any person, in connection with the offer, sale or purchase of any security, directly or indirectly

- (1) to employ any device, scheme, or artifice to defraud,
- (2) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, or
- (3) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

MASS. GEN. LAWS ch. 110A, § 101.

2. The Division herein restates and re-alleges the facts and allegations set forth in paragraphs 1 through 156 above.

3. The conduct of all Respondents, as described above, constitutes a violation of MASS. GEN. LAWS ch. 110A, § 101.

B. Count 2: Violation of MASS. GEN. LAWS ch. 110A, §201

4. Section 201(a) of the Act states in pertinent part that:

(a) It is unlawful for any person to transact business in this commonwealth as a broker-dealer or agent unless he is registered under this chapter.

(b) It is unlawful for any broker-dealer or issuer to employ an agent unless the agent is registered.

MASS. GEN. LAWS ch. 110A, § 201.

5. The Division herein restates and re-alleges the facts and allegations set forth in paragraphs 1 through 156 above.

6. The conduct of Respondents Brookville and Veale, as described above, constitutes a violation of MASS. GEN. LAWS ch. 110A, § 201.

C. Count 3: Respondent Brookville's Violation of MASS. GEN. LAWS ch. 110A, §204 and 950 MASS. CODE REGS. §12.204(1)(a)

7. Section 204(a)(2)(G) of the Act states that:

(a) The secretary may by order impose and administrative fine or censure or deny, suspend or revoke any registration or take any other appropriate action if he finds (1) that the order is in the public interest and (2) that the applicant or registrant or in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser:--

(G) has engaged in any unethical or dishonest conduct or practices in the securities, commodities or insurance business;

MASS. GEN. LAWS ch. 110A, § 204(a)(2)(G).

8. Section 204(a)(2)(J) of the Act states that:

(a) The secretary may by order impose and administrative fine or censure or deny, suspend or revoke any registration or take any other appropriate action if he finds (1) that the order is in the public interest and (2) that the applicant or registrant or in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser:--

(J) has failed reasonably to supervise agents, investment adviser representatives or other employees to assure compliance with this chapter;

MASS. GEN. LAWS ch. 110A, § 204(a)(2)(J).

9. Section 12.204(1)(a) regarding broker-dealers states in pertinent part:

Each broker-dealer shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of its business. Acts and practices, including, but not limited to the following, are considered contrary to such standards and constitute dishonest or unethical practices which are the grounds for imposition of an administrative fine, censure, denial, suspension or revocation of registration, or such other appropriate action.

...

3. Inducing trading in a customer's account which is excessive in size and frequency in view of the financial resources and character of the account.

4. Recommending to a customer, the purchase, sale or exchange of any security without reasonable grounds to believe that such transaction or recommendation is suitable for the customers based upon reasonable inquiry concerning the customer's investment objectives, financial situation and needs, and any other relevant information known by the broker-dealer.

5. Executing a transaction on behalf of a customer without authorization to do so.

...

28. Failing to comply with any applicable provision of FINRA member conduct rules or any applicable fair practice or ethical standard promulgated by the SEC or by a self-regulatory organization by the SEC.

950 MASS. CODE REGS. §12.204(1)(a)

10. The Division herein restates and re-alleges the facts and allegations set forth in paragraphs 1 through 156 above.

11. The conduct of Respondent Brookville, as described above, constitutes a violation of MASS. GEN. LAWS ch. 110A, §§ 204(a)(2)(G), 204A(2)(J) and 950 MASS. CODE REGS. §12.204(1)(a).

D. Count 4: Respondent Mayar's Violation of MASS. GEN. LAWS ch. 110A, §204 and 950 MASS. CODE REGS. §12.204(1)(b)

12. Section 204(a)(2)(G) of the Act states that:

(a) The secretary may by order impose and administrative fine or censure or deny, suspend or revoke any registration or take any other appropriate action if he finds (1) that the order is in the public interest and (2) that the applicant or registrant or in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser:--

(G) has engaged in any unethical or dishonest conduct or practices in the securities, commodities or insurance business;

MASS. GEN. LAWS ch. 110A, § 204(a)(2)(G).

13. Section 12.204(1)(b) of the regulations regarding agents of broker-dealers states in pertinent part:

Each agent shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of his or her business. Acts and practices, including, but not limited to, the following, are considered contrary to such standards and constitute dishonest or unethical practices in the securities industry and are thereby grounds for the imposition of an administrative fine, censure, denial, suspension or revocation of a registration or such other action as is appropriate:

(8) Engaging in conduct specified in 950 CMR 12.204(1)(a)1., 2., 3., 4., 5., 6., 10., 11., 12., 13., 18., 19., 22., 23., 27., or 28.

...

3. Inducing trading in a customer's account which is excessive in size and frequency in view of the financial resources and character of the account.

4. Recommending to a customer, the purchase, sale or exchange of any security without reasonable grounds to believe that such transaction or recommendation is suitable for the customers based upon reasonable inquiry concerning the customer's investment objectives, financial situation and needs, and any other relevant information known by the broker-dealer.

5. Executing a transaction on behalf of a customer without authorization to do so.

...

28. Failing to comply with any applicable provision of FINRA member conduct rules or any applicable fair practice or ethical standard promulgated by the SEC or by a self-regulatory organization by the SEC.

950 MASS. CODE REGS. §12.204(1)(b)

14. The Division herein restates and re-alleges the facts and allegations set forth in paragraphs 1 through 156 above.

15. The conduct of Respondent Mayar, as described above, constitutes a violation of MASS. GEN. LAWS ch. 110A, §§ 204(a)(2)(G) and 950 MASS. CODE REGS. §12.204(1)(b).

X. STATUTORY BASIS FOR RELIEF

1. Section 407A of the Act entitled “Violations; Cease and Desist Orders; Costs” provides, in pertinent part:

(a) If the secretary determines, after notice and opportunity for hearing, that any person has engaged in or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order issued thereunder, he may order such person to cease and desist from such unlawful act or practice and may take such affirmative action, including the imposition of an administrative fine, the issuance of an order for an accounting, disgorgement or rescission or any other such relief as in his judgment may be necessary to carry out the purposes of [the Act].

2. The Enforcement Section herein re-alleges and restates the allegations of fact set forth in paragraphs 1 through 155 above.

3. Respondents directly and indirectly, engaged in the acts and practices set forth in the Complaint above, and it is the Enforcement Section’s belief that Respondents will continue to engage in acts and practices similar in subject and purpose that constitute violations of Sections 101, 201, and 204 of the Act if not ordered to cease and desist.

XI. PUBLIC INTEREST

For any and all of the reasons set forth above, it is in the public interest and will protect Massachusetts investors to enter an Order: (1) requiring Respondents to permanently cease and desist from further conduct in violation of the Act and Regulations in the Commonwealth; (2) revoking the registration of Respondents Brookville and Mayar in the Commonwealth; (3) permanently barring the association or registration of all Respondents with any broker-dealer, issuer of securities, or investment adviser in the Commonwealth; (4) ordering Respondents to provide an accounting of all proceeds that were received as a result of the alleged wrongdoing and offer remuneration to fairly compensate the customer who suffered losses attributable to the alleged wrongdoing; (5) ordering Respondents to disgorge all proceeds and other direct or indirect remuneration received from the alleged wrongdoing; (6) ordering Respondent Firm to produce for the Enforcement Section's review a complete churning analysis for the customer's account, which shall include, but not be limited to, suitability, turnover rate, excessive amounts of brokerage commissions, a cost-equity maintenance rate, and out-of-pocket losses; (7) finding as fact the allegations and facts set forth below; (8) finding that all sanctions and remedies detailed herein are in the public interest and necessary for the protection of Massachusetts investors; (9) requiring Respondents to pay an administrative fine in an amount and upon such terms and conditions as the Director or Hearing Officer may determine; and (10) requesting the Director or Hearing Officer to take such further action against Respondents as may be deemed just and appropriate for the protection of investors.

XII. RELIEF REQUESTED

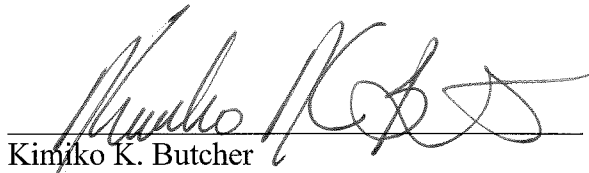
WHEREFORE, the Enforcement Section of the Division requests that the Director or Hearing Officer take the following actions:

- A. Find that all the sanctions and remedies as detailed herein are necessary and appropriate in the public interest and for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Massachusetts Uniform Securities Act;
- B. Find as fact all the facts and allegations set forth in paragraphs 1 through 155, inclusive of the Complaint;
- C. Require Respondents to permanently cease and desist from further conduct in violation of the Act and Regulations in the Commonwealth;
- D. Revoke Respondents Brookville and Mayar's registration as a broker-dealer and broker-dealer agents in Massachusetts;
- E. Permanently bar the association or registration of all Respondents with any broker-dealer, issuer of securities, or investment adviser in the Commonwealth;
- F. Order Respondents to provide an accounting of all proceeds that were received as a result of the alleged wrongdoing and offer remuneration to fairly compensate the Customer who suffered losses attributable to the alleged wrongdoing;
- G. Order Respondents to disgorge all proceeds and other direct or indirect remuneration received from the alleged wrongdoing;
- H. Order Respondent Firm to produce for the Enforcement Section's review a complete churning analysis for the Customer's account, which shall include, but not be limited to, suitability, turnover rate, excessive amounts of brokerage commissions, a cost equity maintenance rate, and out-of-pocket losses to and fairly compensate the Customer for those losses attributable to the alleged wrongdoing;

- I. Impose an administrative fine on Respondents in an amount and upon such terms and conditions as the Director or Hearing Officer may determine; and
- J. Take such further action against Respondents that may be necessary or appropriate in the public interest for the protection of Massachusetts investors.

**MASSACHUSETTS SECURITIES DIVISION
ENFORCEMENT SECTION**

By its attorney,



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Dated: January 15, 2014

