

NASD OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

DAVID L. STEADMAN
(CRD No. 2371970),

Respondent.

Disciplinary Proceeding
No. 2005000613301

Hearing Officer – DMF

DEFAULT DECISION

December 6, 2006

Summary

Respondent is barred from associating with any NASD member in any capacity for forging customers' signatures on documents, in violation of Rule 2110, and for failing to appear for testimony, in violation of Rules 8210 and 2110.

Appearances

David F. Newman, Esq., Philadelphia, PA (Rory C. Flynn, Esq., Washington, DC, and Mark Dauer, Esq., New Orleans, LA, Of Counsel), for Complainant.

No appearance by or for Respondent.

DECISION

I. Introduction

The Department of Enforcement filed the attached Complaint on May 25, 2006, alleging that Respondent David L. Steadman forged customers' signatures on various documents, in violation of Rule 2110, and failed to appear for testimony, in violation of Rules 8210 and 2110. Respondent did not file an Answer to the Complaint. On September 19, 2006, Enforcement filed a motion for a default decision, supported by the

declaration of David F. Newman and three exhibits. Respondent did not reply to the motion.¹

II. Respondent's Default

Through an inadvertent error, Enforcement did not properly serve the Complaint and Notice of Complaint on Respondent when it was filed. On June 26, 2006, before discovering this error, Enforcement sent the Complaint and a Second Notice of Complaint to Respondent by certified first class mail addressed to Respondent's most current residential address listed in the Central Registration Depository (the CRD address). Enforcement received a return receipt for the mailing signed "Wendy Steadman." On August 18, 2006, having discovered the earlier service error, Enforcement sent the Complaint and another Notice of Complaint to Respondent by certified first class mail addressed to Respondent's CRD address. Enforcement received a return receipt for the mailing signed "Brittany Steadman." Respondent did not file an Answer or otherwise respond to the Complaint.

Notwithstanding the initial service error, Enforcement served the Complaint and the required two Notices of Complaint on Respondent in accordance with Rule 9134, giving him constructive notice of this proceeding. In addition, the signed return receipts indicate that he had actual notice. By failing to respond to the Complaint, he defaulted. Pursuant to Rule 9269, the Hearing Officer will deem the allegations in the Complaint admitted.

¹ The factual determinations in this decision are based on the allegations of the attached Complaint, which are deemed admitted, and the additional materials filed by Enforcement with its motion.

III. Jurisdiction

Respondent was registered as a general securities representative through American Express Financial Advisors, Inc. (now known as Ameriprise Financial Services, Inc.) from July 1993 to April 2005. Although Respondent has not been associated with any NASD member since then, he remains subject to NASD jurisdiction for purposes of this proceeding, pursuant to Art. V, § 4 of NASD's By-Laws, because the Complaint was filed within two years after the termination of his registration, and it charges him with misconduct while he was registered and with failing to provide information requested during that two-year period.

IV. Violations

The first three causes of the Complaint allege that while registered with American Express Respondent forged the signatures of customers on various documents. Specifically, the first cause alleges that on or about August 4, 2003, January 15 and April 7, 2004, and January 13, 2005, Respondent signed customers LB's and MB's names on "American Express Financial Advisory Service Agreements" (FAS Agreements) without the customers' authorization or consent. Each of the FAS Agreements indicated that Respondent was to provide the customers with a financial plan or advice for a fee, but Respondent did not provide such services to the customers. On or about April 7, 2004 and January 13, 2005, Respondent signed LB's name on "Annuity Surrender/Withdrawal Forms," without LB's authorization or consent, and used the forms to withdraw funds from an annuity owned by LB to pay fees for services that Respondent had purportedly provided under the April 7, 2004 and January 13, 2005 forged FAS Agreements.

The second cause alleges that on or about May 20 and December 17, 2003, Respondent signed customers WM's and HM's names on FAS Agreements, without their authorization or consent. Respondent did not provide the customers with a financial plan or advice in accordance with the FAS Agreements. Nevertheless, on or about the same dates, he signed the customers' names on "Mutual Fund and Certificate Redemption, Exchange and/or Transfer of Investment" forms, without the customers' knowledge or consent, and used the forms to obtain funds to pay fees for services Respondent had purportedly provided to the customers under the FAS Agreements.

The third cause alleges that between on or about May 5 and May 14, 2004, Respondent signed customer JL's name to several documents without his authorization or consent, including: an "IRA Investment Application"; an "American Express Retirement Advisor Advantage Plus Variable Annuity Retirement Advisor Select Plus Variable Annuity Product Disclosure" [sic]; a "Beneficiary Designation" and two "Variable Annuity Applications."

These allegations, which are deemed admitted, are sufficient to establish, for purposes of this default decision, that Respondent forged customers' signatures on various documents. It is well established that forgery is a violation of Rule 2110's requirement that NASD members and associated persons "observe high standards of commercial honor and just and equitable principles of trade."

The fourth cause of the Complaint alleges that on or about August 30, 2005, NASD staff sent Respondent a letter, pursuant to Rule 8210, requesting his appearance for an on-the-record interview (OTR) on September 21, 2005, in connection with the staff's investigation into allegations that Respondent had forged customer signatures.

The staff sent the letter to Respondent at his CRD address, by regular and certified first class mail.

At the request of Respondent's attorney, the staff rescheduled the OTR to October 10, 2005, and on September 16, 2005, the staff sent Respondent a letter, pursuant to Rule 8210, notifying him that the OTR had been rescheduled to October 10. Once again, the staff sent the letter to Respondent at his CRD address, by certified and regular first class mail.

On September 22, 2005, NASD staff received a letter from Respondent's attorney stating that Respondent would not attend the October 10 OTR until he "was afforded a full and fair opportunity to inquire and examine the source, veracity and accuracy of each claim made against him." On the same date, NASD staff sent a letter to Respondent advising him that he could not place any conditions on his appearance for the October 10 OTR, and advising him that if he failed to attend he would be subject to disciplinary action. Nevertheless, Respondent failed to appear on October 10 for his OTR.

On or about December 1, 2005, NASD staff sent Respondent another letter, pursuant to Rule 8210, requesting his appearance for an OTR on December 14, 2005. Again, the staff sent the letter to Respondent at his CRD address, by certified and regular first class mail. Respondent failed to appear for the December 14 OTR.

These allegations, which are deemed admitted, are sufficient to establish, for purposes of this default decision, that Respondent failed to appear for testimony, in violation of Rules 8210 and 2110.

V. Sanctions

For forgery, the Sanction Guidelines recommend a suspension of up to two years, as well as a substantial fine, if mitigating factors exist, or a bar in egregious cases. NASD Sanction Guidelines at 39 (2006). There is no evidence of any mitigating facts in this case. Moreover, considering the number and nature of the documents that Respondent forged, this is clearly an egregious case that warrants a bar.

For failing to respond to requests for information, including failure to appear for testimony, the Guidelines recommend a bar. NASD Sanction Guidelines at 35. Again, there is no evidence of any mitigating facts that would justify a lesser sanction in this case.

VI. Conclusion

Respondent David L. Steadman is barred from associating with any NASD member in any capacity for forging customers' signatures on documents, in violation of Rule 2110, and for failing to appear for testimony, in violation of Rules 8210 and 2110. The bars will be effective immediately if this decision becomes NASD's final disciplinary action.

SO ORDERED.


David M. Fitzgerald
Hearing Officer

Copies to: David L. Steadman (*via overnight courier and first class mail*)
David F. Newman, Esq. (*via electronic and first class mail*)
Mark Dauer, Esq. (*via electronic and first class mail*)
Rory C. Flynn, Esq. (*via electronic and first class mail*)

NASD OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

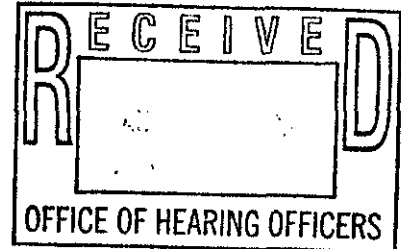
DAVID L. STEADMAN
CRD No. 2371970,

Respondent.

Disciplinary Proceeding
No. 2005000613301

Hearing Officer - DRP

COMPLAINT



Upon information and belief, Complainant alleges as follows:

1. On or about July 8, 2003, David L. Steadman ("Steadman") first became registered with NASD as a General Securities Representative.
2. Steadman was registered with Ameriprise Financial Services, Inc. ("Ameriprise") (formerly American Express Financial Advisors, Inc.) from about June 1993 to on or about April 26, 2005. On April 27, 2005, Ameriprise filed a Form U5 terminating Steadman's registration with the firm.
3. Steadman is not currently registered or associated with a member of NASD, but remains subject to the jurisdiction of NASD pursuant to Article V, Section 4, of NASD's By-Laws, in that the conduct that is the subject of the first three Causes of Complaint occurred while he was registered with Ameriprise and this action, and that the conduct that is the subject of the Fourth Cause of Complaint, Steadman's failure to testify, and the date this action is being brought, are within two years after the effective date of Steadman's termination of his last association with an NASD member.

FIRST CAUSE OF COMPLAINT
(Forgery – Customers L.B. & M.B.)
NASD Conduct Rule 2110

4. Paragraphs 1 through 3 are realleged and incorporated herein by reference.
5. From at least August 2003 through January 2005, L.B and M.B. were customers of Steadman while he was registered with Ameriprise.
6. On or about August 4, 2003, January 15 and April 7, 2004, and January 13, 2005, Steadman signed L.B.'s and M.B.'s names to a document called "American Express Financial Advisory Service Agreement" ("FAS Agreement"). Steadman did not have L.B.'s or M.B.'s authorization or consent to sign their names to the FAS Agreements.
7. Each of the four FAS Agreements to which Steadman signed L.B.'s and M.B.'s name indicated that he was to provide them with a financial plan or advice for a fee. Steadman did not provide L.B. or M.B. with a financial plan or advice.
8. On or about April 7, 2004 and January 13, 2005, Steadman signed L.B.'s name to a document titled "Annuity Surrender/Withdrawal Form." This document was used by Steadman to cause the unauthorized withdrawal of funds from an annuity that L.B. owned to pay Ameriprise for the fees L.B. and M.B. were charged through the April 7, 2004 and January 13, 2005 FAS Agreements. Steadman did not have L.B.'s authorization or consent to sign his name to those forms.
9. As result of this conduct, Steadman violated NASD Conduct Rule 2110.

SECOND CAUSE OF COMPLAINT
(Forgery – Customers W.M. & H.M.)
NASD Conduct Rule 2110

10. Paragraphs 1 through 9 are realleged and incorporated herein by reference.
11. From at least May 20, 2003 to December 17, 2003, W.M. and H.M. were customers of

Steadman while he was registered with Ameriprise.

12. On or about May 20 and December 17, 2003, Steadman signed W.M.'s and H.M.'s names to an FAS Agreement. Steadman did not have W.M.'s and H.M.'s authorization or consent to sign their names to the FAS Agreements.
13. The May 20 and December 17, 2003 FAS Agreements to which Steadman signed W.M.'s and H.M.'s names indicated that he was going to provide them with a financial plan or advice for a fee. Steadman did not provide W.M. and H.M. with a financial plan or advice.
14. On or about May 20 and December 9, 2003, Steadman signed W.M.'s and H.M.'s names to a form called "Mutual Fund and Certificate Redemption, Exchange and/or Transfer of Investment." This form was used by Steadman to cause the unauthorized redemption of a mutual fund W.M. and H.M. owned to pay Ameriprise for the fees that W.M. and H.M. were charged through the May 20 and December 17, 2003 FAS Agreements. Steadman did not have W.M.'s and H.M.'s authorization or consent to sign their names to those forms.
15. As result of this conduct, Steadman violated NASD Conduct Rule 2110.

**THIRD CAUSE OF COMPLAINT
(Forgery – Customer J.L.)
NASD Conduct Rule 2110**

16. Paragraphs 1 through 15 are realleged and incorporated herein by reference.
17. From at least May 5, 2004 through May 14, 2004, J.L. was a customer of Steadman while he was registered with Ameriprise.
18. Between on or about May 5, 2004 and May 14, 2004, Steadman signed J.L.'s name to the following documents: "IRA Investment Application"; "American Express Retirement

Advisor Advantage Plus Variable Annuity Retirement Advisor Select Plus Variable Annuity Product Disclosure"; "Beneficiary Designation"; and two "Variable Annuity Application[s]." Steadman did not have J.L.'s authorization or consent to sign his name to the documents.

19. As result of this conduct, Steadman violated NASD Conduct Rule 2110.

**FOURTH CAUSE OF COMPLAINT
(Failure to Appear for Testimony)
NASD Procedural Rule 8210 and Conduct Rule 2110**

20. Paragraphs 1 through 19 are realleged and incorporated herein by reference.
21. On or about August 30, 2005, pursuant to Procedural Rule 8210, NASD staff sent a letter to Steadman requesting his appearance for an on-the-record interview ("OTR") in the Philadelphia District Office on September 21, 2005 at 9:30 a.m. The NASD staff requested his appearance in connection with an investigation into allegations that Steadman had forged customer signatures. The letter was sent by certified and first class mail to the most current residential address maintained for Steadman in Central Registry Depository ("CRD"): [REDACTED] (the "CRD address"). A copy of the letter was also sent to the attorney representing Steadman. The receipt for the certified letter was signed "Wendy Steadman" and returned to the Philadelphia District Office. The first class letter was not returned. At the request of Steadman's attorney, the OTR was re-scheduled from September 21, 2005 to October 10, 2005.
22. On or about September 16, 2005, pursuant to Procedural Rule 8210, NASD staff sent a letter to Steadman requesting his appearance for an OTR (re-scheduled from September 21) in the Philadelphia District Office on October 10, 2005 at 9:30 a.m. The letter was

sent by certified and first class mail to Steadman's CRD address. The certified letter was returned by the Postal Service and was marked, "unclaimed"; the first class letter was not returned. A copy of the letter was also sent to Steadman's attorney.

23. On September 22, 2005, NASD staff received a letter from Steadman's attorney, dated that same day, which stated that Steadman would not appear for the re-scheduled October 10, 2005 OTR until he "was afforded a full and fair opportunity to inquire and examine the source, veracity and accuracy of each claim made against him."
24. On September 22, 2005, NASD staff sent Steadman a response to his September 22 letter, with a copy sent to his attorney, stating that he could not place any conditions on his appearance for the October 10, 2005 OTR, and that if he failed to appear for the OTR he would be subject to disciplinary action. There was no response to NASD staff's September 22, 2005 letter. Steadman failed to appear for the October 10, 2005 OTR.
25. On or about December 1, 2005, pursuant to Procedural Rule 8210, NASD staff sent a letter to Steadman requesting his appearance for an OTR in the Philadelphia District Office on December 14, 2005 at 9:30 a.m. The letter was sent by certified and first class mail to Steadman's CRD address. In addition, a copy of the letter was sent to Steadman's attorney. The receipt for the certified letter was signed "Ashley Steadman" and returned to the Philadelphia District Office; the first class letter was not returned. Steadman failed to appear for the December 14 OTR.
26. As result of this conduct, Steadman violated NASD Procedural Rule 8210 and Conduct Rule 2110.

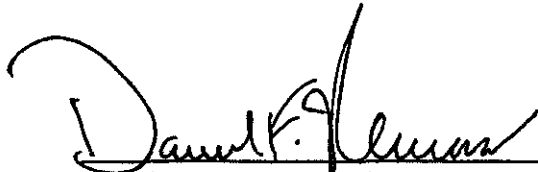
PRAYER FOR RELIEF

WHEREFORE, Complainant respectfully requests:

- A. Findings of fact and conclusions of law that Steadman committed the violations charged and alleged herein;
- B. An order imposing sanctions upon Steadman in accordance with NASD Rule 8310;
- C. An order requiring Steadman to disgorge fully any and all ill-gotten gains and/or make full restitution, together with interest;
- D. An order imposing such costs relating to this proceeding as is deemed fair and appropriate under the circumstances in accordance with NASD Rule 8330; and
- E. An order granting all further relief that is warranted under the circumstances.

NASD DEPARTMENT OF ENFORCEMENT

Date: August 18, 2006



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