

NASD OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

CAROLYN CALLAHAN
(CRD No. 4115887),

Respondent.

Disciplinary Proceeding
No. 2005000724301

Hearing Officer – DMF

DEFAULT DECISION

January 23, 2007

Summary

Respondent is barred from associating with any NASD member in any capacity for misuse of customer funds, in violation of Rules 2330(a) and 2110.

DECISION

I. Introduction

The Department of Enforcement filed the attached Complaint on September 18, 2006, alleging that Respondent Carolyn Callahan misused customer funds, in violation of Rules 2330(a) and 2110. Respondent did not file an Answer to the Complaint. On December 12, 2006, Enforcement filed a motion for a default decision. Respondent did not reply to the motion.¹

II. Respondent's Default

On September 15, 2006, Enforcement sent the Complaint and Notice of Complaint to Respondent by regular and certified first class mail addressed to

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.

Respondent's most current residential address listed in the Central Registration Depository (the CRD address). On October 18, 2006, Enforcement sent the Complaint and Second Notice of Complaint to Respondent by regular and certified first class mail addressed to the CRD address. Respondent did not file an Answer or otherwise respond to the Complaint.

Enforcement served the Complaint and the Notices of Complaint on Respondent in accordance with Rule 9134, giving her constructive notice of this proceeding. By failing to respond to the Complaint, she defaulted. Pursuant to Rule 9269, the Hearing Officer will deem the allegations in the Complaint admitted.

III. Jurisdiction

Respondent was most recently registered through NASD member Brecek & Young Advisors, Inc. from April 2004 until February 2005 as a general securities representative; she was registered in the same capacity through Brookstone Securities, Inc. (now known as Rise, Inc.) from December 2002 until April 2004. Although Respondent has not been associated with any NASD member since then, she remains subject to NASD jurisdiction for purposes of this proceeding, pursuant to Art. V, § 4 of NASD's By-Laws, because the Complaint, which was filed within two years after the termination of her last registration, charges her with misconduct while she was registered.

IV. Violation

The Complaint alleges that in December 2003, while she was registered through Brookstone, Respondent accepted a check from customer JR made payable to

Oppenheimer Funds in the amount of \$20,000. The funds were to be invested in Oppenheimer mutual funds, but Respondent forged the endorsement of Oppenheimer on the check and deposited the funds in her business checking account, and the funds were never paid to Oppenheimer Funds. Further, the Complaint alleges that in December 2004, while she was registered through Brecek & Young, Respondent accepted another check from customer JR made payable to Oppenheimer Funds in the amount of \$25,000. Once again, these funds were to be invested in Oppenheimer mutual funds, but Respondent forged the endorsement of Oppenheimer on the check, deposited the funds in her business account and never paid the funds to Oppenheimer Funds.

These allegations, which are deemed admitted, are sufficient to establish, for purposes of this default decision, that Respondent misused customer funds, in violation of Rules 2330(a) and 2110.

V. Sanctions

Based on the allegations in the Complaint, the misuse of customer funds in this case rises to the level of conversion. For conversion, the Sanction Guidelines recommend a bar as the standard sanction, regardless of the amount converted. NASD Sanction Guidelines at 38 (2006). There is no evidence of any mitigating facts in this case that would justify a lesser sanction.

VI. Conclusion

Respondent Carolyn Callahan is barred from associating with any NASD member in any capacity for misuse of customer funds, in violation of Rules 2330(a) and 2110.

The bar will be effective immediately if this decision becomes NASD's final disciplinary action.

SO ORDERED.



David W. FitzGerald
Hearing Officer

Copies to: Carolyn Callahan (*via overnight courier and first class mail*)
Richard A. March, 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

vs.

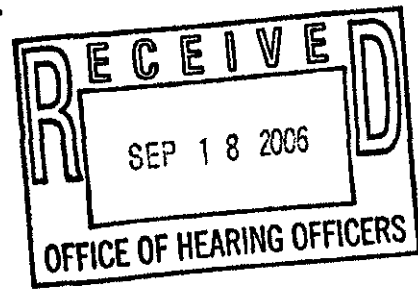
**CAROLYN CALLAHAN
Registered Representative
(CRD No. 4115887)**

Respondent

**Disciplinary Proceeding
No. 2005000724301**

Hearing Officer:

COMPLAINT



Upon information and belief, Complainant alleges as follows:

1. Between in or about November 2002 and in or about April 2004, Carolyn Callahan ("Callahan") was registered with Brookstone Securities, Inc., now known as Rise ("Rise"), a member of NASD. Between in or about April 2004 and in or about February 2005, Callahan was registered with Brecek and Young Advisors, Inc. ("BYA"). In or about February 2005, BYA filed a Uniform Termination Notice for Securities Industry Registration (Form U-5), which terminated Callahan's registration with BYA. Given that this complaint was filed within two years of the effective date of the termination of registration of Callahan with a member of NASD, Callahan is subject to the jurisdiction of NASD, pursuant to Article V, Section 4 of NASD's By-Laws.

**NASD Conduct Rules 2330 and 2110
Improper Use of a Customer's Funds**

2. In December 2003, while registered with Rise, Callahan accepted a check from customer JR made payable to Oppenheimer Funds in the amount of \$20,000. The funds were to be invested in Oppenheimer mutual funds. Callahan forged the endorsement of Oppenheimer Funds on the back of the check and deposited it into her business checking account.

3. In December 2004, while registered with BYA, Callahan accepted a check from customer JR made payable to Oppenheimer Funds in the amount of \$25,000. The funds were to be invested in Oppenheimer mutual funds. Callahan forged the endorsement of Oppenheimer Funds on the back of the check and deposited it into her business checking account.

4. JR's funds were never paid to Oppenheimer Funds.

5. Such acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rules 2330(a) and 2110 on the part of Callahan.

PRAYER FOR RELIEF

WHEREFORE, Complainant respectfully requests:

- A. Findings of fact and conclusions of law that Callahan committed the violations charged and alleged herein;
- B. An order imposing sanctions upon Callahan in accordance with NASD Procedural Rule 8310;
- C. An order imposing such costs of any proceeding as are deemed fair and appropriate under the circumstances in accordance with NASD Rule 8330; and

D. An order imposing any other fitting sanction.

**NASD DEPARTMENT OF
ENFORCEMENT**

Date: September 15, 2006


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