

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

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REGISTRATION & DISCLOSURE

Department of Enforcement,

Complainant,

v.

Louis M. Nolfo (CRD No: 2439250),

Respondent.

DISCIPLINARY PROCEEDING

No. 2005001698202

HEARING OFFICER – AWH

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

DATE:

INTRODUCTION

Disciplinary Proceeding No. 2005001698202 was filed on January 25, 2008 by the Department of Enforcement of the Financial Industry Regulatory Authority ("FINRA" or "Complainant"). Respondent Louis M. Nolfo ("Nolfo" or "Respondent") submitted an Offer of Settlement ("Offer") to Complainant on November 18, 2008. Pursuant to NASD Rule 9270(e), the Complainant and the National Adjudicatory Council ("NAC"), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA") have accepted the uncontested Offer. Accordingly, this Order is now issued pursuant to NASD Rule 9270(e)(3). The findings, conclusions, and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of

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the sanction set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Louis M. Nolfo ("Nolfo" or "Respondent") became registered with FINRA (f/k/a NASD) as a Series 7 general securities representative on February 17, 1994. On June 14, 1994, Nolfo obtained his Series 63 license and on February 10, 2004, he obtained his Series 24 general securities principal license. Between July 1993 and July 2006, Nolfo was associated with various FINRA member firms. From January 17, 2003 through July 24, 2006, Nolfo was associated with GunnAllen Financial, Inc. ("GunnAllen"). On July 24, 2006, GunnAllen filed a Form U5 on behalf of Nolfo terminating his association with that firm as of that date. Nolfo is not currently associated with any FINRA member firm but is still within the jurisdiction of FINRA pursuant to Article V, Section 4 of FINRA's By-Laws, in that the Complaint was filed on January 25, 2008, which is within two years of when he was last associated with a FINRA member firm.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

FIRST CAUSE OF ACTION

CHURNING

**(VIOLATIONS OF SECTION 10(b) OF THE SECURITIES EXCHANGE ACT OF 1934 AND
RULE 10b-5 THEREUNDER, NASD CONDUCT RULES 2120 AND 2110 AND IM-2310-2)**

CUSTOMER PM

1. In or about June 2004, PM received an unsolicited telephone call from Nolfo and agreed to open a securities brokerage account with GunnAllen.

2. Nolfo was the registered representative for PM's account.
3. At the time PM opened his account at GunnAllen, he was approximately 62 years old and retired with an annual income of \$50,000 to \$60,000.
4. PM's account was initially funded with the deposit of \$3,058.95 in cash with subsequent deposits totaling \$44,558.95.
5. PM's investment objective was to grow the account through conservative, long term investments.
6. PM relied on Nolfo to make appropriate investment decisions in the account.
7. At various times between October 2004 and April 2005, Nolfo exercised control over PM's account and effected or caused to be effected approximately 133 transactions in PM's account.
8. The transactions referred to above were excessive, resulting in monthly purchases of approximately \$1.8 million, while the average monthly equity in the account was approximately \$14,424.
9. Nolfo's trading in PM's account, from about October 2004 through about April 2005, generated an Annualized Turnover Ratio of approximately 218, an Annualized Commission-to-Equity Ratio (converted to a percentage) of approximately 498%, and an Annualized Cost-to-Equity Ratio (converted to a percentage) of approximately 503%. Accordingly, PM would have had to earn an annual return in the account of nearly 503% just to break even.
10. Additionally, PM paid approximately \$41,942 in commissions and sustained losses of approximately \$39,930, nearly 90% of his investment.

11. As part of his course of conduct, Nolfo, in connection with the purchase or sale of securities, directly or indirectly, by the use of the means or instrumentalities of interstate commerce, or of the mails, or of any facility of any national securities exchange, knowingly or recklessly: employed devices, schemes or artifices to defraud; made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person; or effected transactions in, or induced the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device or contrivance.
12. By reason of the foregoing, Nolfo violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, NASD Conduct Rules 2110 and 2120 and IM-2310-2.

SECOND CAUSE OF ACTION

EXCESSIVE TRADING AND USE OF UNSUITABLE LEVELS OF MARGIN

(VIOLATION OF NASD CONDUCT RULES 2110 AND 2310 AND IM-2310-2)

CUSTOMER PM

13. At various times between October 2004 through April 2005, Nolfo, while exercising effective control over PM's account, recommended to PM approximately 133 securities transactions involving equities without having reasonable grounds for believing that such transactions were suitable for PM in view of the size and frequency of the transactions, the nature of the account and PM's financial situation, investment objectives and needs.
14. The transactions referred to in paragraph 13 were excessive, resulting in total monthly purchases of approximately \$1.8 million, while the average monthly equity in the account was approximately \$14,424.

15. Nolfo's trading activity in PM's account, from in about October 2004 through about April 2005, generated an Annualized Turnover Ratio of approximately 218, an Annualized Commission-to-Equity Ratio (converted to a percentage) of approximately 498%, and an Annualized Cost-to-Equity Ratio (converted to a percentage) of approximately 503%. Accordingly, PM would have had to earn an annual return in the account of 503% just to break even.
16. Many of the transactions referred to in paragraph 13 were effected through the excessive use of margin and resulted in PM incurring additional costs in the form of margin interest. In fact, on October 31, 2004, PM's account had a margin balance of approximately \$43,038 while the account's equity that month was approximately \$23,246.
17. ~~The margin utilized by Nolfo in PM's account was unsuitable for PM in view of the size and~~ the nature of the account and PM's financial situation and needs.
18. By reason of the foregoing, Nolfo violated NASD Conduct Rules 2310 and 2110 and IM-2310-2.

THIRD CAUSE OF ACTION

CHURNING

**(VIOLATIONS OF SECTION 10(b) OF THE SECURITIES EXCHANGE ACT OF 1934 AND
RULE 10b-5 THEREUNDER, NASD CONDUCT RULES 2120 AND 2110 AND IM-2310-2)**

CUSTOMER DM

19. In or about January 2004, DM received an unsolicited telephone call from an individual at GunnAllen and agreed to open a securities brokerage account at GunnAllen.
20. Nolfo was the registered representative assigned to DM's account.
21. At the time DM opened his account, he was approximately 62 years old and was retired.
22. DM's stated investment objective was growth and his risk tolerance was moderate.

23. At various times between January 2004 and June 2004, Nolfo exercised control over and effected numerous and excessive securities transactions in the account of DM in a manner that was inconsistent with DM's objectives.
24. At various times between January 2004 and June 2004, Nolfo exercised control over DM's account and effected or caused to be effected approximately 77 transactions in DM's account.
25. The transactions referred to in paragraph 24 were excessive, resulting in total monthly purchases of approximately \$3,951,493 while the average monthly equity was approximately \$61,627.
26. Nolfo's trading in DM's account generated an Annualized Turnover Ratio of approximately 128, an Annualized Commission-to-Equity Ratio (converted to a percentage) of approximately 271% and an Annualized Cost-to-Equity Ratio (converted to a percentage) of approximately 274%. Accordingly, DM would have had to earn an annual return in the account of 274% just to break even.
27. Additionally, Nolfo's activity in DM's account generated commissions totaling approximately \$83,411 and losses totaling approximately \$224,607.
28. As part of his course of conduct, Nolfo, in connection with the purchase or sale of securities, directly or indirectly, by the use of the means or instrumentalities of interstate commerce, or of the mails, or of any facility of any national securities exchange, knowingly or recklessly: employed devices, schemes or artifices to defraud; made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person; or

effected transactions in, or induced the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device or contrivance.

29. By reason of the foregoing, Nolfo violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, NASD Conduct Rules 2120 and 2110 and IM-2310-2.

FOURTH CAUSE OF ACTION

EXCESSIVE TRADING

(VIOLATION OF NASD CONDUCT RULES 2110 AND 2310 AND IM-2310-2)

CUSTOMER DM

30. At various times between January 2004 and June 2004, Nolfo, while exercising control over DM's account, recommended to DM approximately 77 securities transactions involving equities, without having reasonable grounds for believing that such transactions were suitable for DM in view of the size and frequency of the transactions, the nature of the account and DM's financial situation, investment objectives and needs.
31. The transactions referred to in paragraph 30 were excessive, resulting in total monthly purchases of approximately \$3,951,493 while the average monthly equity was approximately \$61,627.
32. Nolfo's trading activity in DM's account generated an Annualized Turnover Ratio of approximately 128, an Annualized Commission-to Equity Ratio (converted to a percentage) of approximately 271%, and an Annualized Cost-to-Equity Ratio (converted to a percentage) of approximately 274%. Accordingly, DM would have had to earn an annual return of 274% just to break even.
33. By reason of the foregoing, Nolfo violated NASD Conduct Rules 2110 and 2310 and IM-2310-2.

FIFTH CAUSE OF ACTION
FAILURE TO SUPERVISE
(VIOLATION OF NASD CONDUCT RULES 2110 AND 3010)

34. While associated with GunnAllen, Nolfo also served as the firm's branch office manager for the firm's branch located in Boca Raton, Florida.
35. From in or about August 2004 to in or about April 2005, Nolfo was directly responsible for supervising the trading activity of Randall Ram, a registered representative employed in GunnAllen's Boca Raton branch office.
36. At various times between August 2004 to April 2005, Nolfo failed to supervise Ram by permitting him to effect excessive transactions in the heavily leveraged margin account of customer RJ and by not taking reasonable and appropriate supervisory steps to prevent Ram's trading activity.
37. At various times between August 2004 and April 2005, Ram exercised discretion and control over customer RJ's account and effected excessive securities transactions in the account, using unsuitable levels of margin, in a manner that was inconsistent with the customer's objectives.
38. Ram's trading in customer RJ's account resulted in an Annualized Turnover Ratio of approximately 175 and an Annualized Cost-to-Equity Ratio (converted to a percentage) of approximately 519%.
39. Nolfo's failure to adequately and properly supervise Ram's trading activity in customer RJ's account violated NASD Conduct Rules 2110 and 3010.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

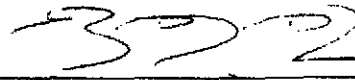
It is ordered that Respondent be barred from association with any FINRA member in any capacity.

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to IM-8310-3(e), a bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

Signed on behalf of the
Director of ODA, by delegated authority



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