

**NASD
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant

v.

**Jason Charles Midgley
General Securities Representative
CRD No. 4623081**



Respondents

**Disciplinary Proceeding
No. 2005002411701**

COMPLAINT

The Department of Enforcement alleges:

1. Respondent Jason Charles Midgley entered the securities industry in August 2003 as a General Securities Representative with member firm Continental Broker-Dealer Corp. From August 2003 to May 2004, he registered serially with three different NASD member firms. In May 2004, he registered with NASD member firm Barron Moore as a General Securities Representative. On November 29, 2004, Barron Moore discharged Midgley. Since his discharge from Barron Moore, Midgley has not been associated or registered with any NASD member firm.
2. Although Midgley is not currently registered, he remains subject to the

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jurisdiction of NASD until November 28, 2006, pursuant to Article V, Section 4 of NASD's By-Laws, which provides for a two-year period of retained jurisdiction over formerly registered persons.

3. Respondent [REDACTED] entered the securities industry in August 1987 as a General Securities Representative with member firm First Eagle. From August 1987 to May 2004 she was registered serially with eight different NASD member firms. In May 2004, she registered with NASD member firm Barron Moore as a General Securities Representative and General Securities Principal.
4. On November 29, 2004, Barron Moore discharged [REDACTED]. Since her discharge she has not been associated or registered with any NASD member firm.
5. Although [REDACTED] is not currently registered, she remains subject to the jurisdiction of NASD until November 28, 2006, pursuant to Article V, Section 4 of NASD's By-Laws, which provides for a two-year period of retained jurisdiction over formerly registered persons.

FIRST CAUSE OF ACTION

(Midgley Participated in Private Securities Transactions (Rules 2110 and 3040))

6. The Department realleges and incorporates by reference paragraphs Paragraphs 1 through 5 above.
7. During the period from July 2004 to October 2004, Jason Charles Midgley participated in nine private securities transactions involving customers G. J., S. P., and W. T. without providing any notice to Barron Moore, the member firm with

which he was registered.

8. Specifically Midgley solicited the three customers to purchase shares of stock in Elaborate Productions, Inc. and CyberZONE, Inc. in the aggregate amount of \$170,000 as follows:

<u>Customer</u>	<u>Security Purchased</u>	<u>Approx. Purchase Date</u>	<u>Amount</u>
G. J.	Elaborate Productions	10/29/04	\$15,000
G. J.	CyberZONE	10/29/04	\$15,000
S. P.	CyberZONE	9/29/04	\$25,000
"	"	"	\$15,000
"	"	11/22/04	\$15,000
S. P.	Elaborate Productions	10/1/04	\$25,000
W. T.	CyberZONE	7/1/2004	\$10,000
"	"	7/28/04	\$30,000
"	"	7/29/04	\$20,000

9. In connection with recommending the above transactions, Midgley also told the customers to mail their checks directly to CyberZONE and Elaborate Productions and he provided each customer with the address for these two companies. The customers followed Midgley's instructions.
10. Midgley failed to provide any notice to Barron Moore describing in detail the transactions referenced above, his proposed role in the transactions, and whether he had received or might receive compensation in connection with the above referenced transactions.

11. Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rules 2110 and 3040 by Respondent Jason Charles Midgley.

SECOND CAUSE OF ACTION

(Midgley Effected Two Unsuitable Transactions (Rules 2110 and 2310))

12. The Department realleges and incorporates by reference Paragraphs 1 through 10 above.
13. As referenced above, based on a recommendation from Jason Charles Midgley, customer G. J. invested \$15,000 in CyberZONE and \$15,000 in Elaborate Productions. At the time of her investments, G. J. had no prior investment experience. Her annual income was \$25,000 and her liquid net worth was \$1,000. In order to fund her purchases, she had to obtain a home equity line of credit, a fact which she disclosed to Midgley before she decided to purchase shares in CyberZONE and Elaborate Productions. She was risk adverse and could not afford to lose her investment in either CyberZONE or Elaborate Productions; however, the prospectuses for CyberZONE and Elaborate Productions describe these securities as high risk and only suitable for those investors who could sustain a complete loss of their investment.
14. Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rules 2110 and 2310 by Respondent Jason Charles Midgley.

THIRD CAUSE OF ACTION

(Midgley Failed to Provide Information and/or Failed to Appear for Testimony (Rules 2110 and 8210))

15. The Department realleges and incorporates by reference Paragraphs 1 through 13 above.
16. By letter dated September 22, 2005, NASD staff requested, pursuant to Procedural Rule 8210, that Jason Charles Midgley provide information to NASD regarding his termination from member firm Barron Moore. The September 22nd letter was sent to Midgley at his CRD home address via certified and regular mail. Midgley was required to provide the requested information no later October 6, 2005.
17. The regular mailing of the September 22nd letter has never been returned to NASD's Dallas, Texas district office. The return receipt card for the certified mailing was signed and returned to the district office.
18. Midgley never responded to the September 22nd letter.
19. By letter dated November 3, 2005, NASD staff requested, again pursuant to Rule 8210, that Midgley appear in NASD's Dallas, Texas district office on December 6, 2005 for the purpose of providing on the record testimony. The November 3rd letter was sent to Midgley at his CRD home address via certified and regular mail.
20. The regular mailing of the November 3rd letter has never been returned to NASD's Dallas, Texas district office. The certified mailing was returned marked "unclaimed."

21. Midgley never appeared in NASD's Dallas, Texas district office as requested.

However, on December 2, 2005, an attorney representing Midgley contacted the NASD Examiner who had sent the November 3rd and stated that Midgley would not appear and provide testimony as requested by NASD.

22. Such acts, practices, and conduct constitute separate and distinct violations of NASD Procedural Rule 8210 and NASD Conduct Rule 2110 by Respondent Jason Charles Midgley.

FOURTH CAUSE OF ACTION

[REDACTED] Failed to Appear for Testimony (Rules 2110 and 8210)

23. The Department realleges and incorporates by reference Paragraphs 1 through 22 above.

24. In connection with its investigation of Jason Charles Midgley, NASD staff sought information from [REDACTED] the branch manager of the office where Midgley worked. [REDACTED] had some contact with customer S. P. concerning his purchase of CyberZONE.

25. Because of information it had obtained about [REDACTED] NASD staff requested that [REDACTED] provide on the record testimony to the NASD. In this regard, by letter dated November 2, 2005, NASD staff requested, pursuant to Rule 8210, that [REDACTED] appear in NASD's Dallas, Texas district office on December 6, 2005 for the purpose of providing on the record testimony. The November 2nd letter was sent to [REDACTED] at her CRD home address via certified and regular mail.

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26. The regular mailing of the November 2nd letter has never been returned to NASD's Dallas, Texas district office. The return receipt card for the certified mailing was signed by [REDACTED] and returned to the district office.
27. [REDACTED] never appeared in NASD's Dallas, Texas district office as requested.
28. By letter dated March 1, 2006, NASD staff again requested, pursuant to Rule 8210, that [REDACTED] appear in NASD's Dallas, Texas district office on March 10, 2006, for the purpose of providing on the record testimony. The March 1st letter was sent to [REDACTED] at her CRD home address via certified and regular mail.
29. To date, neither mailing of the March 1st letter has been returned to NASD's Dallas, Texas district office.
30. [REDACTED] never appeared in NASD's Dallas, Texas district office as requested.
31. Such acts, practices, and conduct constitute separate and distinct violations of NASD Procedural Rule 8210 and NASD Conduct Rule 2110 by Respondent [REDACTED]

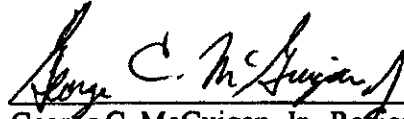
PRAYER

WHEREFORE, the Department respectfully requests that the Panel:

- A. order that one or more of the sanctions provided under NASD Rule 8310(a), including monetary sanctions, be imposed;
- B. order that the Respondents bear such costs of the proceeding as are deemed fair and appropriate under the circumstances in accordance with NASD Rule 8330.

NASD DEPARTMENT OF ENFORCEMENT

Date: November 27, 2006


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