

**NASD
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

CHARLES LOUIS BOLTON III,
CRD No. 1753380

Respondent.

Disciplinary Proceeding
No. 2006004356201

Hearing Officer _____

COMPLAINT

The Department of Enforcement alleges:

1. Respondent Charles Louis Bolton III (Bolton) was associated with NASD member, Advantage Capital Corporation (ACC or the Firm), from November 23, 1988 through December 19, 2005, when he was terminated. During this period, Bolton operated a branch office of ACC in Phoenix, Arizona under the trade name, Pillar Financial Group (Pillar). Since his termination, Bolton has not associated with another member firm.

2. Bolton is subject to NASD jurisdiction pursuant to Article V, § 4 of NASD's By-Laws.

**FIRST CAUSE OF ACTION
(Misuse of Customer Funds - NASD Conduct Rules 2330 and 2110)**

3. Complaint paragraph numbers 1-2, above, are re-alleged and incorporated herein by reference.

4. In December 2005, ACC discovered that Bolton had vacated the Pillar office without providing any notification to or otherwise advising ACC.

5. On or about December 19, 2005, ACC terminated Bolton's registration with the Firm for violation of firm policy, namely failing to make meaningful contact with the home office and for failing to maintain contact with his representatives.

6. Also on or about December 19, 2005, ACC sent letters to Bolton's customers informing them that Bolton was no longer with ACC and asking them to review their account statements and to contact the Firm if they found questionable transactions or transactions not reflected on their account statements.

7. Customer DB responded to ACC's December 19, 2005 letter and advised the Firm of discrepancies that he had found upon a review of his account statements covering the period 2002 through 2005. One of the complaints lodged by DB was that the statements did not evidence or otherwise reflect funds in the amount of \$99,000 that he had given to Bolton in 2003 and that were to be invested at Pillar/ACC.

8. On or about March 10, 2003, DB gave Bolton a check for \$74,000 made payable to Pillar that was to be used for investment purposes. At that period of time, all of DB's investments with Pillar/ACC were in Oppenheimer Funds. Bolton endorsed the check and the check cleared DB's bank on March 13, 2003. Statements received by DB with respect to his investments with Pillar/ACC did not reflect the \$74,000 payment DB gave to Bolton.

9. On or about November 25, 2003, DB gave Bolton a check for \$25,000, made payable to Pillar that was to be used for investment purposes. At that period of time, all of DB's investments with Pillar/ACC were in Oppenheimer Funds. Bolton endorsed the check and the check cleared DB's bank on November 26, 2003. Statements received by DB with respect to his investments with Pillar/ACC did not reflect the \$25,000 payment DB made to Bolton.

10. In summary, at the time DB tendered the funds to Bolton on March 10, and November 25, 2003, DB intended that the funds be invested at Pillar/ACC. Notwithstanding the above, these funds were not deposited into or otherwise reflected in DB's securities accounts at Pillar/ACC.

11. DB further informed ACC that unauthorized deposits had been made into his Pillar/ACC accounts. Specifically, from approximately May 2004 through September 2005, five purchases of shares of Oppenheimer Cash Reserves Fund, representing a total amount of approximately \$43,500, had been made in DB's account. DB did not authorize these purchases. In fact, prior to DB's receipt of ACC's December 2005 letter and his subsequent review of his account statements, DB had no knowledge of these purchases. At least two of the purchases were made by Pillar.

12. As described in paragraphs 7-10 above, DB gave Bolton two checks totaling \$99,000 and made payable to Pillar with the intention that the funds be invested for his benefit. Bolton, however, failed to invest DB's funds with Pillar/Advantage. By failing to invest DB's funds as DB intended, Bolton made improper use of the customer's funds. The foregoing acts, practices and conduct constitute separate and distinct violations of Rules 2330 and 2110 by Bolton.

SECOND CAUSE OF ACTION
(Failure to Respond to Rule 8210 Requests for Information -
NASD Procedural Rule 8210 and NASD Conduct Rule 2110)

13. Complaint paragraph numbers 1-12, above, are re-alleged and incorporated herein by reference.

14. As referenced in Complaint paragraph 6, ACC sent letters to Bolton's customers in December 2005 requesting that they review their account statements for any irregularities.

ACC received two responses to that letter, one from customer DB and one from the Estate of customer HR.

15. As set forth in the First Cause of Action, DB notified the Firm that he could not account for \$99,000 that he had given to Bolton in 2003 for investment purposes. HR's Estate notified the Firm that HR had lost in excess of \$550,000 due in part, to the fraudulent and/or negligent conduct of Bolton. The Estate of HR further maintained that Bolton had made unsuitable investment recommendations.

16. On March 7, 2006, pursuant to Rule 8210, NASD staff sent Bolton a written request for information related to the customer complaints made by DB and HR's Estate. In brief, staff requested that Bolton provide a written statement (and all supporting documentation) responding to the allegations raised by DB and HR's Estate. Bolton was requested to: address the circumstances surrounding the customers' allegations; admit or deny whether the customers' claims were true; produce copies of his bank statements and any other documentation reflecting the funds that were the subject of DB's and HR's respective complaints; address whether or not he had obtained permission from DB and HR prior to withdrawing funds from their respective accounts; and, provide his rationale for investment recommendations made with respect to HR's accounts.

17. The March 7, 2006 request was sent by certified mail, return receipt requested, and by first class mail to Bolton's address as listed in CRD (CRD Address) — [REDACTED]

[REDACTED] The requested information was to be provided by March 21, 2006. The certified letter sent to the CRD Address was returned to NASD with the notation "Unclaimed." The letter sent via first class mail to the CRD Address was not returned.

18. A second Rule 8210 request was sent to Bolton on April 18, 2006. This request was sent by certified mail, return receipt requested, and by first class mail to Bolton's CRD Address. The certified letter sent to the CRD Address was returned to the NASD with the notation "Unclaimed." The letter sent via first class mail to the CRD Address was not returned.

19. Staff subsequently contacted ACC and inquired whether the Firm had a more current address for Bolton. ACC represented that for a period of time following his termination from the Firm, Bolton resided at [REDACTED] On November 27, 2006, a third Rule 8210 request was sent via certified mail, return receipt requested, and first class mail to Bolton's CRD address and to the [REDACTED] address. The November 2006 request provided that Bolton's response was due on or prior to December 11, 2006. Notwithstanding this deadline, Bolton failed to respond to the November 2006 request.

20. To date, Bolton has not provided the information requested pursuant to NASD Procedural Rule 8210, as described in paragraphs 14-19 above.

21. Bolton's failure to respond to the March 7, April 18, and November 27, 2006 Rule 8210 requests interfered with NASD's investigation of the complaints HR's Estate and DB made against Bolton. Bolton's non-responsiveness prevented NASD from, among other things: investigating any defenses Bolton might claim; determining whether additional funds belonging to HR and/or DB were misused; and, obtaining information that would either substantiate or refute the claims raised by HR's Estate.

22. The above conduct set forth in Complaint paragraphs 14-21 constitutes separate and distinct violations of NASD Procedural Rule 8210 and NASD Conduct Rule 2110 by Bolton.

PRAYER FOR RELIEF

WHEREFORE, the Department of Enforcement 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 Bolton bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with NASD Rule 8330.

NASD DEPARTMENT OF ENFORCEMENT

Dated: January 9, 2007



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