

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,	)	Disciplinary Proceeding
	)	No. 2006004707201.
Complainant,	)	
	)	Hearing Officer -- LBB
v.	)	
	)	
PETER HACKSTEDDE	)	
CRD No. 2107093,	)	
ROSS SINDELAR	)	
CRD No. 2729154,	)	
GEORGE FISCHER	)	
CRD No. 1315706,	)	
	)	
and,	)	
	)	
FIRST FINANCIAL EQUITY CORP.	)	
CRD No. 16507,	)	
Respondents.	)	

ORDER ACCEPTING OFFER OF SETTLEMENT

Disciplinary Proceeding No. 2006004707201 was filed on June 4, 2008, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondents Fischer and First Financial Equity Corp. (FFEC) submitted an Offer of Settlement (Offer) to Complainant on October 1, 2009. Pursuant to FINRA 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 now is issued pursuant to FINRA 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.

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Under the terms of the Offer, Respondents Fischer and FFEC 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 the sanctions set forth below, and fully understand that this Order will become part of their permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Respondent Fischer is the President and majority owner of FFEC. He is currently registered as a General Securities Representative, General Securities Principal, Direct Participation Program Representative, and a Direct Participation Program Principal. Because Fischer is currently associated with a FINRA member, FINRA had jurisdiction to institute the underlying disciplinary proceeding against him. FFEC has been a FINRA member since July 1985. Because FFEC is currently a FINRA member, FINRA had jurisdiction to issue the underlying disciplinary proceeding against it. Respondents Fischer and FFEC have been subject to one previous disciplinary action. In November 2000, they entered into an AWC for violations of SEC Rule 10b-9, SEC Rule 15c2-4 and SEC Rule 15c3-1.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:¹

Summary

1. Respondents Hackstedde and Sindelar (Respondent Representatives) requested permission from Respondents Fischer and FFEC to participate, away from FFEC, in raising

¹ The findings herein are pursuant to Respondents Fischer's and FFEC's Offer of Settlement and are not binding on any other person or entity named as a respondent in this or any other proceeding.

capital for NowAuto by selling shares of NowAuto stock. Respondent Fischer, acting for Respondent FFEC, approved the request; however, Respondent Fischer imposed conditions on their participation. Those conditions required Respondent Representatives to:

- a. determine that all legal requirements pertaining to their activity were satisfied;
- b. receive no compensation;
- c. acquire the securities through non-recourse notes; and,
- d. pay all proceeds directly to the issuer.

Respondent Fischer further required that the NowAuto stock certificates not bear restrictive legends.

2. Respondent Fischer failed to take reasonable steps to monitor or determine compliance with these conditions by Respondent Representatives. As discussed in greater detail herein, not all of the above requirements were met. For example, Respondent Representatives failed to determine that all legal requirements pertaining to their activity were satisfied (in fact, not all legal requirements were satisfied), and Respondent Representatives did receive compensation.

3. At the time he approved Respondent Representative's participation in raising capital for NowAuto, Respondent Fischer was aware of circumstances that caused or should have caused him to recognize that Respondent Representatives would or could engage in an unregistered distribution in connection with their capital-raising activities and that they would or could be deemed underwriters by reason of the manner in which they received the securities they sold. Disregarding these "red flags," Respondent Fischer failed to take steps to determine whether the NowAuto securities acquired and distributed by Respondent Representatives were registered or exempt from registration, nor did he determine whether the manner in which the

Respondent Representatives acquired the securities would or could cause them to be deemed underwriters.

4. Further, Respondent Fischer failed to cause the Respondent Representatives and FFEC to comply with the requirements of Conduct Rule 3040 with respect to the Respondent Representatives' acquisition of NowAuto stock. Each instance in which Respondents Hackstedde and Sindelar gave NowAuto a non-recourse promissory note and, in exchange, received NowAuto stock, constituted a private securities transaction. Although Respondent Fischer was aware of these private securities transactions, he did not cause FFEC to record them on its books and records or supervise them as if they were transactions of the firm.

5. By failing to enforce the conditions he imposed upon the Respondent Representatives' participation in raising capital for NowAuto, failing to act on "red flags" suggesting potential violations of the federal securities laws and applicable rules and regulations and by failing to enforce Conduct Rule 3040 with respect to their acquisition of stock from NowAuto, Respondent Fischer failed to supervise Respondents Hackstedde and Sindelar.

Third Cause of Action of Complaint – Failure to Supervise (NASD Conduct Rules 3010 and 2110) – Respondent Fischer

6. NASD Conduct Rule 3010(a) requires that each firm establish and maintain a system to supervise the activities of each registered representative and associated person that is reasonably designed to achieve compliance with applicable securities laws, rules and regulations.

7. Respondent Fischer was aware, or should have been aware, of facts and circumstances that should have caused him to investigate further to determine whether (a) the securities that Respondent Representatives intended to distribute were registered or exempt from registration; (b) Respondent Representatives were "underwriters" for purposes of the federal securities laws; and (c) Respondent Representatives were receiving or intended to receive

compensation for their participation in the distribution. These facts and circumstances include his knowledge that:

- a. the Respondent Representatives intended to acquire a substantial volume of securities;
- b. the purpose of acquiring the securities was to sell them into the open market to raise capital for NowAuto;
- c. proceeds of the resales would be paid to NowAuto;
- d. the resales would be effected through the Respondent Representatives' accounts at the carrying member for which, pursuant to Conduct Rule 3050, he received duplicate transaction records;
- e. NowAuto was not a public company;
- f. his sons, MF and SF, were involved with NowAuto and that their previous business and personal conduct suggested the possibility of impropriety; and
- g. before Respondent Representatives requested authorization to participate in the NowAuto distribution, Respondent Fischer had been approached by MF about NowAuto and refused to discuss it with MF.

8. Respondent Fischer approved the Respondent Representatives' participation in these transactions subject to conditions he imposed. Those conditions included requirements that (i) the Respondent Representatives determine that all applicable legal requirements were satisfied; and (ii) they receive no compensation for the distribution. Respondent Fisher failed, however, to determine whether the Respondent Representatives complied with these conditions notwithstanding that he could have made such determinations from information available to him.

9. Respondent Fischer advised the Respondent Representatives to acquire the securities for distribution using non-recourse promissory notes; therefore, he knew that they would pay for the securities from the proceeds of their sale.

10. By imposing conditions upon their participation and assisting in the structuring of their acquisition of securities, Respondent Fischer exercised direction and control over the Respondent Representatives' distribution of NowAuto stock.

11. As a result of the "red flags" he had knowledge of or reasonably could have discovered, and his exercise of direction and control over the Respondent Representatives' conduct, Respondent Fischer was responsible for supervising Respondent Representatives in a manner reasonably designed to achieve compliance with applicable laws, rules and regulations.

12. By failing to reasonably supervise Respondents Hackstedde and Sindelar, not conducting an appropriate inquiry of "red flags" suggesting violations of the federal securities laws, and by not following up with reasonable supervisory steps in response to any problems detected, Respondent Fischer failed to detect and prevent Respondent Representatives' distribution of unregistered securities in their capacity as underwriters.

Fourth Cause of Action of Complaint – Failure to Supervise Private Securities Transactions (NASD Conduct Rules 3040, 3010 and 2110) - Respondents Fischer and FFEC

13. Respondent Representatives acquired NowAuto stock in transactions that were outside the regular course and scope of their employment with FFEC. Respondent Fischer knew of these transactions and knew or should have known that they constituted private securities transactions subject to NASD Conduct Rule 3040.

14. The acquisition transactions were "for compensation" for purposes of Rule 3040. The Respondent Representatives' retention of a portion of the resale proceeds was a right to participate in profits that resulted from the purchase of NowAuto stock.

15. Respondent Fischer knew or should have known that the Respondent Representatives would receive compensation for their participation in the NowAuto distribution and, therefore, that their private securities transactions were "for compensation."

16. FFEC was obligated to supervise the Respondent Representatives' participation and to record the private securities transactions on its books and records. Respondent Fischer was responsible for causing FFEC to supervise and record the transactions.

Based on the foregoing, and as discussed in paragraphs 6-12, Respondent Fischer failed to supervise in a manner reasonably designed to achieve compliance with applicable laws, rules and regulations, thereby violating NASD Conduct Rules 3010 and 2110. Further, and as discussed in paragraphs 13-15, FFEC, acting through Respondent Fischer, failed to supervise and record the Respondent Representatives' private securities transactions, thereby violating of NASD Conduct Rules 3040, 3010 and 2110.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondents Fischer and FFEC 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 Fischer be suspended in a principal capacity for fifteen business days and fined in the amount of \$20,000.00. It is further ordered that Respondent FFEC

be censured and fined in the amount of \$20,000.00. The sanctions imposed herein shall be effective on a date set by FINRA staff.

SO ORDERED.

FINRA

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



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