

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 200700823904**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Donald J. Carrig, Respondent
Registered Representative
CRD No. 2669205

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, without admitting or denying the findings, 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, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Donald J. Carrig has been in the securities industry since 1995. He has been employed by four member firms. He was a registered representative with Midas Securities, LLC from April 2003 through January 2006. He is currently registered with another FINRA member firm.

OVERVIEW

Between May 11 and July 22, 2005, Donald Carrig, while associated with Midas Securities, LLC as a registered representative, participated in the sale into the public markets of more than 88 million unregistered shares of *Greyfield Capital, Inc.* on behalf of customers. These sales resulted in proceeds of more than \$106,000 to the customers. Historically, and until several weeks before the trades at issue here, Greyfield Capital had been thinly traded. Carrig failed to perform adequate due diligence prior to the

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execution of these sales, notwithstanding his duty to do so and the red flags indicating potential violations of the registration requirements of the Securities Act of 1933. By participating in the sale of unregistered securities in transactions that were not subject to an exemption from registration, Carrig violated Section 5 of the Securities Act, thereby violating NASD Conduct Rule 2110 (now FINRA Rule 2010).

FACTS AND VIOLATIVE CONDUCT

Background

Greyfield Capital, Inc. was formed in August 1998 as a Nevada corporation named Mountain Crest, Inc. The company underwent at least four changes in control or management between 1999 and 2002. Greyfield began trading in the over-the-counter market on May 24, 2002, at a price of \$1.40 per share. There were only four trades in Greyfield's stock between May 2002 and May 2005, totaling 1,330 shares. All of these trades, after the initial one, were at \$.01 per share.

Issuance of Unregistered Greyfield Stock

Beginning in late April 2005, MF orchestrated the distribution of hundreds of millions of unregistered shares of Greyfield stock to an entity he controlled (Gold Technologies, LLC), his associate BC, BC's wife (BCW), himself, and others, including an entity, BE, and stock promoters. On April 20, 2005, Greyfield entered into an agreement to sell 600 million shares to Gold Technologies for \$120,000, which was putatively being paid with the execution of the agreement. Neither MF nor Gold Technologies ever paid the \$120,000 called for in the subscription agreement. Shortly thereafter, MF directed the issuance and distribution of hundreds of millions of shares, many of which quickly ended up in the public markets.

In April and May of 2005, Greyfield issued 477 million shares. Although the shares were all issued in the name of Gold Technologies, MF had the shares broken into groups and sent to various individuals and entities, including BC, BCW, BE, and Gold Technologies, and numerous stock promoters.

Deposit and Sale of Shares Through Carrig

Gold Technologies, BC, BCW, and BE had accounts at Midas Securities with Carrig as the registered representative. MF had trading authorization

over the BC, BCW, and Gold Technologies accounts.

A total of 281 million shares were deposited into these accounts by Carrig's customers, and 200,000 bought into them. This represented almost half of the authorized shares, and more than half of the outstanding shares of Greyfield. A total of 88,070,000 of these shares were sold by Carrig on behalf of his customers, who received proceeds of \$106,320.89.

Most of the activity at Midas was through Gold Technologies. On May 2, 2005, MF deposited a 25 million share certificate into the account, and sold 185,000 shares in four transactions between May 11 and 13. Between May 18 and 31, he bought 90,000 shares, and sold 95,000 in two transactions that week. He deposited a certificate for 10 million shares on June 3, 2005, and sold 4,565,000 shares in seven sales between June 6 and 16. On June 20, 2005, MF deposited two more certificates, for 50 million and 10 million shares, into the account. Between June 20 and July 14, he made eighteen sales totaling 52,245,000 shares. He bought another 100,000 shares on July 15, 2005, and sold 2,800,000 shares in three trades between July 15 and 22. Gold Technologies received proceeds of more than \$75,000 from these sales of 59,990,000 shares.

BCW's account initially received 1,200 shares by journal. It received a certificate for 50 million shares on May 9, 2005, and bought an additional 10,000 shares May 16. On May 18, the account sold 225,000 shares in three transactions. It received another 50 million shares by certificate on June 3, and sold 24,242,000 shares in five trades between June 13 and July 5. On July 18, a certificate for 25 million shares was deposited into BCW's account. In total, this account sold 27,680,000 shares, and had proceeds from the sales of more than \$26,000. BC's account received two certificates (#179 and #183) for 50 million and 10 million shares on May 4, 2005; these shares were not sold. The BE account, which received shares designated by MF, deposited a certificate for 1 million shares on May 11, 2005. One week later, the customer sold 400,000 shares for more than \$1,300.

Cessation of Trading

Greyfield Capital put out a number of press releases touting its business prospects during the time MF was engaged in the selling described above. On July 29, 2005, the Securities and Exchange Commission suspended trading in the securities of Greyfield for ten days. It found that there were questions as to its corporate domicile, the identity of its officers and directors, whether its shares were validly issued, and the accuracy of

information in its press releases. In November 2006, the Securities and Exchange Commission and the British Columbia Securities Commission announced settlements with MF and one of his colleagues for market manipulation and sale of unregistered securities in which the defendants agreed to injunctions, officer and director bars, penny stock bars, financial sanctions totaling more than \$180,000, and additional sanctions.

Carrig's Failure to Fulfill His Obligations Under the Securities Laws

Section 5 of the Securities Act of 1933 prohibits the offer or sale of any security unless there is a registration statement in effect as to that security or there is an exemption available for the transaction. Since the Greyfield stock was unregistered, it could not be sold absent an applicable exemption from registration. Exemptions to the registration requirement of Section 5 are construed narrowly. A broker who sells securities in violation of Section 5 violates Conduct Rule 2110.

No exemption from registration was available under the circumstances here. Moreover, the facts and circumstances surrounding the deposit and liquidation of the Greyfield shares were such that Carrig was required to conduct an independent inquiry to determine whether the shares deposited with Midas Securities were freely tradable. All of the stock was both recently issued and newly obtained by the customers; Greyfield was a little-known issuer in the market with a very limited trading history; the customers received large amounts of stock in a very short period of time; the customers quickly began selling their shares into the market; and Greyfield had just undergone a reverse merger involving a shell company and an operating business in mid-April 2005, shortly before the deposits of stock began to come in.

Despite the presence of these red flags, Carrig did not adequately investigate whether the stock could be sold without registration. For instance, he did not adequately investigate and document how these customers had obtained the stock or from whom they got it. Absent that information, and other information regarding the facts and circumstances surrounding their acquisition of the stock, he failed to satisfy the duty of reasonable inquiry that is a crucial part of the brokers' exemption.

* * *

By virtue of the foregoing, Carrig sold securities in violation of Section 5 of the Securities Act. By violating the Securities Act, he failed to observe high standards of commercial honor and just and equitable principles of trade. Therefore, Carrig violated NASD Conduct Rule 2110 (now FINRA Rule 2010).

B. I also consent to the imposition of the following sanctions:

1. a suspension from association with any FINRA member in any capacity for a period of thirty calendar days; and
2. a fine in the amount of \$15,000.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

I understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.
- E. I agree to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. I have submitted an

Election of Payment form showing the method by which I propose to pay the fine imposed. I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

- F. I understand that if I am suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the suspension (see FINRA Rules 8310 and 8311).

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

5/21/2010
Date

Donald J. Canoy
Respondent

Reviewed by:

Lawrence I. Washer, Esq.
Washer & Associates
21800 Oxnard St., Suite 700
Woodland Hills, CA 91367

Accepted by FINRA:

6/7/10
Date

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

Thomas B. Lawson
Thomas B. Lawson
Vice President and Chief Counsel
FINRA Department of Enforcement
1801 K Street, N.W.
Washington, DC 20549