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FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

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REGISTRATION & DISCLOSURE

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

MIGUEL A. CHAVEZ
(CRD No. 4686088),

Respondent.

Disciplinary Proceeding
No. 20070092008

Hearing Officer—MAD

DEFAULT DECISION

July 17, 2009

Respondent is barred from associating with any FINRA member firm in any capacity for: (i) failing to notify his employer, in writing, that he had opened a securities account at another FINRA member firm and failing to notify the firm at which he opened the account that he was associated with a FINRA member, in violation of Conduct Rules 3050(c) and 2110; (ii) making material misrepresentations to his employer regarding his outside business activities and outside securities account, and making material misrepresentations to the firm at which he opened the securities account regarding his status as a registered representative and the identity of his employer, in violation of Conduct Rule 2110; and (iii) failing to appear for on-the-record interviews as requested by FINRA staff, in violation of Procedural Rule 8210 and Conduct Rule 2110. Respondent also violated Conduct Rules 3030 and 2110 by engaging in outside business activities without providing his employer written notice of his activities. For this violation, an additional sanction is not imposed in light of the bars.

Appearances

Gerard F. Murphy, Senior Counsel, New York, NY, for the Department of Enforcement.

No appearance by or on behalf of Miguel A. Chavez.

DECISION

I. Introduction

On February 16, 2009, the Department of Enforcement ("Enforcement") filed the attached Complaint in this disciplinary proceeding against Respondent Miguel A. Chavez

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(“Chavez”). The Complaint charges that Chavez: (1) engaged in outside business activities without first providing his employer, FINRA member firm Allstate Financial Services, LLC (“Allstate” or the “Firm”), with written notice of his activities, in violation of Conduct Rules 3030 and 2110; (2) maintained an outside securities account without providing Allstate written notice, and without notifying the firm at which he opened the account that he was associated with a FINRA member, in violation of Conduct Rules 3050(c) and 2110; (3) made material misrepresentations to both Allstate and the firm with which he maintained his outside securities account, in violation of Conduct Rule 2110; and (4) failed to appear for on-the-record testimony as requested by FINRA staff, in violation of Procedural Rule 8210 and Conduct Rule 2110.¹

Chavez did not answer or otherwise respond to the Complaint. Consequently, on May 14, 2009, Enforcement filed a Motion for Entry of Default Decision (“Default Motion”), supported by the Declaration of Gerard F. Murphy, Esq. (“Murphy Decl.”), and by seven exhibits. Respondent did not file a response to the Default Motion.²

II. Findings of Fact and Conclusions of Law

A. Jurisdiction

Chavez was first employed in the securities industry in June 2003.³ Between August 20, 2003, and July 13, 2007, he was registered as an Investment Company and Variable Contracts

¹ As of July 30, 2007, NASD consolidated with the member regulation and enforcement functions of NYSE Regulation and began operating under a new corporate name, the Financial Industry Regulatory Authority (FINRA). References in this decision to FINRA include, where appropriate, NASD. Following consolidation, FINRA began developing a new FINRA Consolidated Rulebook. The first phase of the new consolidated rules became effective on December 15, 2008, including certain conduct rules and procedural rules. *See* Regulatory Notice 08-57 (Oct. 2008). This decision refers to and relies on the NASD Conduct Rules that were in effect at the time of Respondent’s alleged misconduct. The applicable rules are available at www.finra.org/rules.

² The factual determinations in this decision are based on the allegations of the attached Complaint, which are deemed admitted, as well as additional materials filed by Enforcement.

³ CX-1, at 5.

Products Representative through Allstate.⁴ On July 16, 2007, Allstate filed a Uniform Termination Notice for Securities Industry Registration ("Form U5") on Chavez's behalf with FINRA. The Form U5 reported that Allstate had discharged Chavez for violations of NASD Conduct Rules 3030 and 3040.⁵

Although Chavez has not been registered with FINRA since July 16, 2007, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years following the termination of his last registration with a FINRA member, and (2) the Complaint charges him with misconduct committed while he was associated with a FINRA member firm and with failing to respond to FINRA requests for information made during the two-year period following the termination of his registration.⁶

B. Respondent's Default

Enforcement served Chavez with the Notice of Complaint and Complaint on February 13, 2009, by first-class and certified mail, return receipt requested, to his residential address recorded in the Central Registration Depository (the "CRD Address").⁷ Enforcement also sent the Notice of Complaint and Complaint to two other known addresses used by Chavez.⁸ The certified mailing receipt was returned by the U.S. Postal Service with the signature, "Lily Chavez;" the first class mailing was not returned.⁹ The Notice of Complaint stated that Chavez

⁴ *Id.*

⁵ CX-2.

⁶ Article V, Sec. 4(a), FINRA By-Laws, available at www.finra.org/rules (then follow "FINRA Manual" hyperlink to "Corporate Organization: By-Laws").

⁷ CX-4.

⁸ Enforcement sent copies of the Notice of Complaint and Complaint to the address listed on Chavez's new account form and monthly statements from Franklin Ross, Inc., a FINRA member firm at which Chavez opened a brokerage account, and to a return address Chavez used in prior written correspondence with Enforcement. Murphy Decl. ¶ 26.

⁹ Murphy Decl. ¶¶ 27-28; CX-5.

was required to answer the Complaint by March 13, 2009. On February 18, 2009, Chavez contacted Enforcement about his receipt of the Complaint. Enforcement discussed the hearing process with Chavez, and advised him that if an Answer was not filed, a default decision would be issued.¹⁰ Chavez failed to file an Answer to the Complaint.

On March 19, 2009, Enforcement served a Second Notice of Complaint and Complaint on Chavez in the same manner as it had with the Notice of Complaint.¹¹ Again, Enforcement sent additional copies of the Second Notice of Complaint and Complaint to the two other known addresses for Chavez.¹² The certified mailing receipt was returned to FINRA by the U.S. Postal Service again with the signature, "Lily Chavez."¹³ The U.S. Postal Service did not return the first-class mailing containing the Second Notice of Complaint.¹⁴ The Second Notice of Complaint stated that Chavez was required to answer the Complaint by April 5, 2009.¹⁵ To date, Chavez has not filed an answer or otherwise responded to the Complaint.

The Hearing Officer finds that Enforcement properly served Chavez with the Complaint by mailing the Complaint and the First and Second Notices of Complaint in accordance with Procedural Rule 9134(b)(1), thereby giving him constructive notice of this disciplinary proceeding. In addition, Chavez spoke to Enforcement about the disciplinary proceeding upon receipt of the initial filing of the Complaint; thus Chavez had actual notice of this disciplinary

¹⁰ Murphy Decl. ¶ 30.

¹¹ CX-6.

¹² Murphy Decl. ¶ 32.

¹³ CX-7.

¹⁴ Murphy Decl. ¶ 34.

¹⁵ CX-6.

proceeding. Chavez defaulted by failing to answer the Complaint.¹⁶ Accordingly, pursuant to Procedural Rules 9215(f) and 9269(a)(2), the Hearing Officer deems the allegations in the attached Complaint admitted and grants Enforcement's Default Motion.

C. Origin of the Underlying Investigation

FINRA began its investigation of Chavez after its Market Regulation Department uncovered an irregular trading pattern in a penny stock, revealing that Chavez bought and sold a large quantity of the stock in an outside securities account held at Franklin Ross, Inc. ("Franklin"), a FINRA member firm. Enforcement's investigation revealed that Chavez had neither disclosed this outside securities account to his Firm nor disclosed his status as a registered person with Allstate to Franklin when opening his brokerage account. The investigation further revealed that Chavez failed to disclose outside business activities to his Firm, and made material misrepresentations to both Allstate and Franklin. Based on this information, Enforcement filed the Complaint in this proceeding.

D. Unreported Outside Business Activities

The First Cause of Action alleges that Chavez engaged in outside business activities relating to Allmarine Consultants Corporation ("Allmarine") without notifying Allstate, in violation of Conduct Rules 3030 and 2110. Allmarine is a corporation that specializes in the administration of ship and corporate registries, and provides maritime services to ship owners and operators. Chavez has served as the President, Chief Executive Officer, Chief Financial Officer, Secretary, Treasurer, and Director of Allmarine since its incorporation on May 19, 2005. The SB-2 Registration Statement, signed by Chavez, reported that Chavez worked between 40 and 50 hours per week for Allmarine. On May 24, 2005, Allmarine paid Chavez 2.7 million

¹⁶ *Dep't of Enforcement v. Verdiner*, No. CAF020004, 2003 NASD Discip. LEXIS 42, at *5 (N.A.C. Dec. 9, 2003) (NASD Procedural Rule 9134(b)(1) allows for constructive notice by mailing a complaint to the respondent's most recent CRD address) (quoting *Lubeck v. SEC*, 1998 U.S. App. LEXIS 18849, at *20 (9th Cir. Aug. 12, 1998)).

shares of Allmarine restricted stock for his work as President and Chief Executive Officer.

Allmarine's Form 10-QSB, dated April 23, 2007, stated that Chavez managed the company and identified him as the only employee. At no point did Chavez give Allstate written notice of his outside business activities relating to Allmarine.

NASD Conduct Rule 3030 provides that no person registered with a member "shall be employed by, or accept compensation from, any other person as a result of any business activity ... outside the scope of his relationship with his employer firm, unless he has provided prompt written notice to the member ... in the form required by the member." The purpose of Conduct Rule 3030 is to provide member firms with an opportunity to raise any objections to such activities at a meaningful time and to exercise appropriate supervision as necessary under applicable law.¹⁷ Conduct Rule 3030 requires disclosure of all outside business activity, not just securities-related activity.¹⁸

The Hearing Officer finds that the allegations in the First Cause of Action are sufficient to establish that Chavez violated Conduct Rules 3030 and 2110 by failing to provide Allstate with written notice of his outside business activities.¹⁹

E. Unreported Outside Securities Account

The Second Cause of Action alleges that Chavez failed to disclose to Allstate that he had opened a securities account at Franklin in August 2006, and also failed to disclose to Franklin

¹⁷ *Proposed Rule Change by NASD Relating to Outside Business Activities of Associated Persons*, Exchange Act Release No. 26063, 1988 SEC LEXIS 1841 (Sept. 6, 1988), adopted at Exchange Act Release No. 26178, 1988 SEC LEXIS 2032 (Oct. 13, 1988).

¹⁸ *District Bus. Conduct Comm. v. Cruz*, No. C8A930048, 1997 NASD Discip. LEXIS 62, at *96 (N.B.C.C. Oct. 31, 1997).

¹⁹ *Dep't of Enforcement v. Schneider*, No. C10030088, 2005 NASD Discip. LEXIS 6, at *13-14 (N.A.C. Dec. 7, 2005).

that he was a registered representative employed at Allstate, in violation of Conduct Rules 3050(c) and 2110.

NASD Conduct Rule 3050(c) provides, in relevant part, that “[a] person associated with a member, prior to opening an account or placing an initial order for the purchase or sale of securities with another member, shall notify both the employer member and the executing member, in writing, of his or her association with the other member.” Paragraph (e) of Rule 3050 specifies that the requirements of paragraph (c) apply to accounts in which the associated person has either a financial interest or discretionary trading authority.

The Hearing Officer finds that the allegations in the Second Cause of Action are sufficient to establish that Chavez violated Conduct Rules 3050 and 2110.²⁰

F. Material Misrepresentations

The Third Cause of Action alleges that Chavez made material misrepresentations to Allstate regarding his outside business activity, and made materials misrepresentations to both Allstate and Franklin regarding his outside securities account, in violation of Conduct Rule 2110. During Chavez’s employment with Allstate, he participated in Firm audits and supervisory reviews in October 2005, March 2006, October 2006, and May 2007, all of which specifically sought information regarding any outside business activities.²¹ At no time did Chavez disclose his outside business activity with Allmarine. Instead, he falsely reported that he did not participate in any outside business activities.²² In addition, Chavez completed annual compliance questionnaires that included questions regarding employee outside business activities. In July

²⁰ See *Dep’t of Enforcement v. Duma*, No. CA8030099, 2005 NASD Discip. LEXIS 46, at *17 (N.A.C. Oct. 27, 2005).

²¹ Murphy Decl. ¶ 12.

²² *Id.*

2005 and August 2006, Chavez submitted his completed questionnaires to Allstate, stating that he did not engage in any outside business activity.²³

Chavez opened his securities account at Franklin on August 9, 2006. Less than two weeks later, he completed his compliance questionnaire for Allstate, dated August 22, 2006, and reported that he did not have any outside securities accounts. When he completed the Franklin new account form, Chavez failed to report that he was employed by Allstate. Instead, he listed his business as “insurance,” his occupation as “agent,” and his employer as “CCALL Inc.”²⁴ He also denied being a registered representative on the Franklin account form.²⁵

Chavez’s misrepresentations of material facts in connection with his outside business activity and outside securities account are inconsistent with the “high standards of commercial honor” and “just and equitable principles of trade” that Conduct Rule 2110 requires registered representatives to observe. The Hearing Officer finds that the allegations in the Third Cause of Action are sufficient to establish that Chavez violated Conduct Rule 2110.²⁶

G. Failure to Appear for On-the-Record Interviews

The Fourth Cause of Action alleges that Chavez failed to appear at on-the-record interviews on two separate occasions, in violation of Procedural Rule 8210 and Conduct Rule 2110. Enforcement sent the first request, dated September 11, 2007, to Chavez at his CRD Address by first-class and certified mail pursuant to Procedural Rule 8210, requesting that he appear and provide sworn testimony on October 16, 2007. Enforcement also sent the request

²³ *Id.*

²⁴ *Id.* ¶ 13.

²⁵ *Id.*

²⁶ *Duma*, No. CA8030099, 2005 NASD Discip. LEXIS 46, at *18; *see also Dep’t of Enforcement v. Brack*, No. C9B020048, 2003 NASD Discip. LEXIS 8, at *18 (O.H.O. Feb. 7, 2003).

letter to two other known addresses for Chavez.²⁷ On September 17, 2007, Chavez contacted Enforcement by telephone and stated that he intended to appear and testify. On October 5, 2007, Chavez again contacted Enforcement by telephone and stated that he had decided not to appear and testify. Chavez did not appear to provide the requested sworn testimony on October 16, 2007.²⁸

Enforcement sent the second request, dated November 30, 2007, to Chavez at his CRD Address by first-class and certified mail pursuant to Procedural Rule 8210, requesting that he appear and provide sworn testimony on December 12, 2007. This request was also sent to the two other known addresses for Chavez.²⁹ Chavez did not appear to provide the requested sworn testimony on December 12, 2007.³⁰ On December 17, 2007, Chavez contacted Enforcement by telephone and reiterated that he did not intend to appear and provide testimony as requested. During a telephone conversation held on January 8, 2008, between Enforcement and Chavez to discuss potential charges and sanctions, Chavez again stated that he did not intend to appear and provide the requested testimony.³¹

Procedural Rule 8210 authorizes FINRA to require any person subject to its jurisdiction to provide information and testimony related to any matter under investigation. The Rule serves as a key element in FINRA's oversight function and allows FINRA to carry out its regulatory functions without subpoena power.³²

²⁷ Enforcement sent copies of the Rule 8210 request to the address listed on Chavez's new account form and monthly statements from Franklin, and to a return address Chavez used in prior written correspondence with Enforcement. Murphy Decl. ¶ 15.

²⁸ *Id.* ¶ 16.

²⁹ *Id.* ¶ 17.

³⁰ *Id.* ¶ 17.

³¹ *Id.* ¶ 18.

³² See, e.g., *Dep't of Enforcement v. Valentino*, No. FPI010004, 2003 NASD Discip. LEXIS 15, at *12 (N.A.C. May 21, 2003), *aff'd*, 2004 SEC LEXIS 330 (Feb. 13, 2004) ("It is well established that because NASD lacks subpoena

The Hearing Officer finds that the allegations in the Fourth Cause of Action are sufficient to establish that Chavez violated Procedural Rule 8210 and Conduct Rule 2110. Chavez received valid notice of the requests, yet he refused to appear and give testimony.

III. Sanctions

A. Unreported Outside Business Activities

The Sanction Guidelines governing outside business activities recommend a fine of \$2,500 to \$50,000, and a suspension of up to 30 business days where there are no aggravating circumstances.³³ Where the outside business activities involve aggravating circumstances, the Guidelines recommend consideration of a suspension of up to one year. In egregious cases involving substantial activity or significant injury, the Guidelines recommend consideration of a longer suspension or a bar.³⁴

Under the facts of this case, the relevant principal considerations in determining sanctions for engaging in outside business activities in violation of Conduct Rule 3030 include: (i) the duration of the outside activity; and (ii) whether the respondent misled his or her employer member firm about the existence of the outside activity or otherwise concealed the activity from the firm. Chavez held several officer positions at Allmarine, and received a significant amount of restricted stock for his services. He signed the Registration Statement for Allmarine on May 19, 2005, yet he never disclosed this outside business activity to Allstate during the next two years. As noted above, in each Firm audit, supervisory review, and compliance questionnaire, Chavez

power over its members, a failure to provide information fully and promptly undermines NASD's ability to carry out its regulatory mandate.") (citation omitted); *Joseph G. Chiulli*, Exchange Act Release No. 42359, 2000 SEC LEXIS 112, at *16 (Jan. 28, 2000) (noting that Rule 8210 provides a means for the NASD effectively to conduct its investigations, and emphasizing that NASD members and associated persons must fully cooperate with requests for information).

³³ *FINRA Sanction Guidelines* 14 (2007), available at www.finra.org/sanctionguidelines.

³⁴ *Id.*

specifically misled Allstate by affirmatively denying any involvement with outside business activities. The record contains no mitigating factors.

After consideration of these factors, the Hearing Officer concludes that the appropriate sanction for Chavez's violation of Conduct Rules 3030 and 2110 would be a suspension from associating with any FINRA member in all capacities for one year and a \$25,000 fine.³⁵ However, in light of the bars imposed for the violations identified below, an additional sanction is not imposed for this violation.

B. Unreported Outside Securities Account

The Guidelines for violations of Conduct Rule 3050 recommend a fine of \$1,000 to \$25,000. In egregious cases, the Guidelines recommend a suspension of up to two years or a bar, as well as the imposition of a fine.³⁶ The specific considerations listed in the Guidelines focus on whether the transactions in the undisclosed account presented real or perceived conflicts of interest or involved "hot issues" (there is no evidence of either circumstance in this case), or whether the respondent provided oral notice to the employing firm or the executing firm, and whether the employer orally acquiesced.

In this case, as found above, Chavez withheld information about the Franklin account from Allstate, and specifically stated that he did not have any outside securities accounts when completing his annual compliance questionnaire soon after opening his account at Franklin. Chavez did not simply fail to disclose the Franklin account to Allstate; in his new account application, he lied to Franklin about whether he was employed by a broker-dealer, which

³⁵ Cf. *Dep't of Enforcement v. Brueggemann*, No. 2007008976201, 2009 FINRA Discip. LEXIS ____ (O.H.O. May 22, 2009) (imposing a one year suspension and a \$25,000 fine against respondent who engaged in an outside business activity involving the formation of a corporation used to purchase securities at a discount); *Dep't of Enforcement v. Houston*, No. 2006005318801, 2008 FINRA Discip. LEXIS 60 (O.H.O. Dec. 17, 2008) (imposing a one-year suspension and a \$50,000 fine against respondent who engaged in outside business activity involving acting as a trustee after receiving notice from the firm not to engage in such activities).

³⁶ *Guidelines* at 17.

prevented Franklin from notifying Allstate of the account. These circumstances are highly aggravating. On the other hand, the record contains no mitigating factors. Accordingly, the Hearing Officer will bar Chavez from associating with any FINRA member in all capacities for violating Conduct Rules 3050(c) and 2110.

C. Material Misrepresentations

Chavez's misrepresentations are closely related to his failures to disclose his outside business activity and outside securities account. The most analogous Sanction Guideline for this violation is "Forgery and/or Falsification of Records," which recommends consideration of a bar, as well as a fine, in egregious cases.³⁷ The Hearing Officer finds that this is an egregious case. The record reflects that on six separate occasions, Chavez falsely reported that he did not participate in any outside business activities.³⁸ If he had answered the questions truthfully, Allstate would have known about his extensive involvement with Allmarine. While Allmarine is not a securities-related business, the goal of Conduct Rule 3030 is to prevent harm to the investing public and to limit member firms' entanglements in legal difficulties that can result from unsupervised outside business activities, including business activities unrelated to the securities industry.³⁹

Further, if Chavez had completed his new account form truthfully, Franklin could have notified Allstate, but because he misrepresented his status as a registered representative to his employer, Franklin could not notify Allstate. As a result, Allstate could not monitor Chavez's trading in the Franklin account. Moreover, shortly after completing his Franklin new account

³⁷ *Id.* at 39.

³⁸ Murphy Decl. ¶ 12.

³⁹ See Notice to Members 88-86, 1988 NASD LEXIS 207 (Nov. 1988); see also, e.g., *District Bus. Conduct Comm. v. Douglas*, Nos. C06920046 and C06930068, 1995 NASD Discip. LEXIS 217, at *18 (N.A.C. Sept. 19, 1995). Rule 3030 requires disclosure of all outside business activity, not just securities-related activity. *District Bus. Conduct Comm. v. Cruz*, No. C8A930048, 1997 NASD Discip. LEXIS 62, at *96 (N.B.C.C. Oct. 31, 1997).

form, Chavez falsely reported on his Allstate compliance questionnaire that he did not have any outside securities accounts.

The Hearing Officer finds that a bar is the appropriate sanction under the facts and circumstances of this case. Here the record reflects no mitigating factors that would warrant a lesser sanction. Accordingly, the Hearing Officer will bar Chavez from associating with any FINRA member in any capacity for violating Conduct Rule 2110.

D. Failure to Appear for On-the-Record Interviews

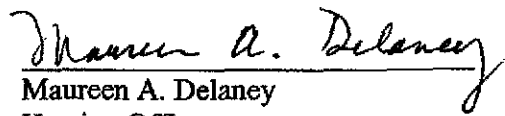
The Sanction Guidelines recommend a bar where a respondent fails to respond in any manner to a request for information issued pursuant to Procedural Rule 8210.⁴⁰ Here, there is no evidence of any mitigating factors that would justify a lesser sanction. Chavez had actual notice of the scheduled on-the-record interviews, yet he willfully refused to appear to answer FINRA staff's questions. Accordingly, the Hearing Officer will bar Chavez from associating with any FINRA member firm in any capacity for violating Procedural Rule 8210 and Conduct Rule 2110.

IV. Order

Chavez is barred from associating with any FINRA member firm in any capacity for: (1) failing to notify Allstate in writing that he had opened a securities account at Franklin, and failing to notify Franklin that he was associated with Allstate, in violation of Conduct Rules 3050(c) and 2110; (2) making material misrepresentations to Allstate regarding his outside business activities and outside securities account, and making material misrepresentations to Franklin regarding his status as a registered representative and the identity of his employer, in violation of Conduct Rule 2110; and (3) failing to respond in any manner to FINRA staff's requests for on-the-record testimony, in violation of Procedural Rule 8210 and Conduct Rule

⁴⁰ *Guidelines* at 35.

2110. The bars shall become effective immediately if this Default Decision becomes the final disciplinary action of FINRA. In light of the bars, additional sanctions are not imposed for the violation of Conduct Rules 3030 and 2110.


Maureen A. Delaney
Hearing Officer

Copies to:

Miguel A. Chavez (via FedEx, next day delivery, and first-class mail)
Gerard F. Murphy, Esq. (via electronic and first-class mail)
David R. Sonnenberg, Esq. (via electronic mail)

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

V.

Miguel A. Chavez (CRD No. 4686088),

Respondent.

DISCIPLINARY PROCEEDING
No. 20070092008

COMPLAINT

The Department of Enforcement alleges:

RESPONDENT

1. Respondent Miguel Chavez ("Chavez") entered the securities industry in or about August 2003 as a registered representative with Allstate Financial Services LLC (the "Firm" or "Allstate"), a FINRA member firm.
2. On July 16, 2007, Allstate filed a Uniform Termination Notice for Securities Industry Registration ("Form U-5), reporting that Chavez's employment with Allstate had been terminated on July 13, 2007 for violating NASD Rules 3030 and 3040.
3. Since the termination of his employment with Allstate, Chavez has not associated with another member firm.

4. Chavez is subject to FINRA's jurisdiction pursuant to Article V, Section 4 of the FINRA By-Laws because:

a. this complaint is being filed within two years of the effective date of the termination of Respondent's association with Allstate; and

b. This complaint is based upon Respondent's failure to disclose his outside business activity to the Firm, failure to disclose his outside securities account to the Firm, failure to disclose his employment with a FINRA member Firm to another FINRA member firm where he opened a securities account, material misrepresentations to the Firm and to the FINRA member firm where he held an outside securities account and failure to provide information requested by FINRA pursuant to NASD Rules during such time as he was subject to FINRA's jurisdiction.

FIRST CAUSE OF ACTION
Failure to Disclose Outside Business Activities

(Respondent Chavez Violated NASD Rules 3030 and 2110)

5. The Department realleges and incorporates by reference paragraphs 1-4 above.

6. Based upon a Form SB-2 Registration Statement (the "Registration Statement") filed with the Securities Exchange Commission on December 20, 2005, Allmarine Consultants Corporation ("Allmarine") is a corporation that specializes in the administration of ship and corporate registries and provides maritime services to ship owners and operators.

7. According to the Registration Statement, which Chavez signed electronically, after Allmarine's incorporation on May 19, 2005, Chavez served as its President, Chief Executive Officer, Chief Financial Officer, Secretary, Treasurer and Director.

8. The Registration Statement also reported that Chavez worked between 40 and 50 hours per week for Allmarine.

9. On May 24, 2005, Allmarine paid Chavez approximately 2.7 million shares of Allmarine restricted stock for his work as its President and Chief Executive Officer.

10. In a Form 10-QSB dated April 23, 2007, Allmarine listed Chavez as its only employee and reported that Chavez managed the company. Chavez electronically signed this document as the Chief Executive Officer of Allmarine.

11. Chavez did not notify the Firm, in writing or otherwise, about his employment with Allmarine.

12. By failing to disclose his outside business activity with Allmarine to the Firm, Chavez violated NASD Rule 3030 and 2110.

SECOND CAUSE OF ACTION
Failure to Disclose Outside Securities Accounts

(Respondent Chavez Violated NASD Conduct Rule 3050(c) and 2110)

13. The Department realleges and incorporates by reference paragraphs 1-11 above.

14. In August 2006, Chavez opened a brokerage account at Franklin Ross, Inc. ("Franklin Ross"), a FINRA member firm.

15. Chavez did not disclose to Allstate that he opened or maintained this account at Franklin Ross.

16. At the time that he opened the account at Franklin Ross, Chavez did not disclose to Franklin Ross that he was a registered representative at Allstate.

17. By failing to disclose to Allstate that he opened or maintained a securities account at Franklin Ross, a FINRA member firm and by failing to disclose to Franklin Ross that he was a registered representative employed at Allstate, Chavez committed separate and distinct violations of NASD Rules 3050 and 2110.

THIRD CAUSE OF ACTION
Material Misrepresentations

(Respondent Chavez Violated NASD Conduct Rule 2110)

18. The Department realleges and incorporates by reference paragraphs 1-11 and 13-16 above.

19. During his employment with Allstate, Chavez was the subject of Firm audits and supervisory contact reviews in October 2005, March 2006, October 2006 and May 2007. Those audits and reviews specifically sought information regarding any outside business activities conducted by Chavez.

20. During each of these audits and reviews, Chavez falsely reported to the Firm that he did not participate in any outside business activities.

21. The Firm also required that Chavez complete annual compliance questionnaires that included questions regarding employee outside business activity.

22. In compliance questionnaires submitted to the Firm dated July 22, 2005 and August 22, 2006, Chavez falsely reported that he did not engage in any outside business activity, failed to notify the Firm about his outside business activity with Allmarine and failed to report that he received 2.7 million shares of Allmarine stock as compensation for his employment with Allmarine.

23. In the August 22, 2006 compliance questionnaire, Chavez also falsely reported that he did not have any outside securities accounts although he had opened a securities account at Franklin Ross on August 9, 2006.

24. In a Franklin Ross new account form dated August 9, 2006 (the "Franklin Ross Form"), Chavez listed his business as "insurance" and his occupation as "agent." Chavez reported that his employer was "CCALL Inc." These entries failed to report that Chavez was an employee of Allstate, a member firm.

25. Chavez also falsely denied being a registered representative in the Franklin Ross Form.

26. By making material misrepresentations to Allstate during Firm audits and in Firm compliance questionnaires and to Franklin Ross in the Franklin Ross Form, Chavez committed separate and distinct violations of NASD Conduct Rule 2110.

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

27. The Department realleges and incorporates by reference paragraphs 1-11, 13-16 and 16-23.

28. By letter dated September 11, 2007, FINRA staff requested, pursuant to NASD Procedural Rule 8210, that Chavez appear at the Dallas District office on October 16, 2007 to provide sworn testimony regarding an examination being conducted by FINRA. The September 11th letter was sent, via certified and first class mail, to Chavez's CRD address. FINRA also sent a copy of that request to the address listed on Chavez's new account form and monthly statements from Franklin Ross. FINRA staff sent a third copy of that letter to the return address used by Chavez in prior written correspondence with staff.

29. On September 17, 2007, Chavez contacted Enforcement staff by telephone and stated that he intended to appear and testify as requested. On October 5, 2007, Chavez contacted Enforcement staff by telephone and informed the staff that he had decided not to appear and testify.

30. Chavez did not appear on October 16, 2007 and provide the sworn testimony requested by FINRA staff pursuant to NASD Procedural Rule 8210.

31. By letter dated November 30, 2007, Enforcement staff made a second request, pursuant to NASD Procedural Rule 8210, that Chavez appear and provide sworn testimony at FINRA's Dallas District office on December 12, 2007. Enforcement staff sent the November 30th letter via certified and first class mail to the same addresses described above. FINRA staff requested that Chavez or his attorney contact FINRA staff by December 7, 2007 to confirm that he would appear and testify as requested.

32. Chavez did not appear on December 12, 2007 and provide the requested sworn testimony.

33. On December 17, 2007, Chavez contacted Enforcement staff by telephone and reiterated that he did not intend to appear and testify as requested.

34. On January 8, 2008, Chavez contacted FINRA staff and discussed potential charges and sanctions. Chavez informed staff that he did not intend to provide the requested testimony.

35. To the present date, Chavez has not appeared and provided testimony pursuant to NASD Procedural Rule 8210 as requested by FINRA staff.

36. The acts, practices, and conduct by Respondent described above constitute separate and distinct violations of NASD Conduct Rule 2110 and NASD Procedural Rule 8210.

RELIEF REQUESTED

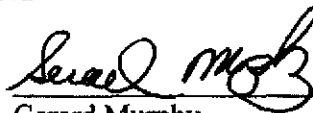
WHEREFORE, the Department respectfully requests that the Panel:

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

FINRA DEPARTMENT OF ENFORCEMENT

Date: _____

2/13/09



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