

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007011125101**

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

RE: Dennis Lee Keating, II, Respondent
CRD No. 2918547

Pursuant to Rule 9216 of FINRA Code of Procedure, I, Dennis Lee Keating, II (Respondent or Keating), 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 purpose 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

Keating entered the securities industry in or about July 1997. He was associated with Torrey Pines Securities, Inc. (Torrey Pines) from on or about April 28, 2006, through on or about November 10, 2008, where he was registered as a general securities principal, a general securities representative and as an options principal. Keating was also a minority owner of Torrey Pines. From on or about March 18, 2009, through on or about December 31, 2009, Keating was associated with White Pacific Securities, where he was registered in the same capacity. Keating has not been associated with a FINRA member since his termination from White Pacific Securities.

RELEVANT DISCIPLINARY HISTORY

On or about May 6, 2010, the Securities and Exchange Commission (SEC) filed a complaint against Keating in the United States District Court, District of Utah alleging that Keating engaged in the unregistered offer and sale of securities in violation of Sections 5(a) and 5(c) of the Securities act, committed fraud in the offer or sale of securities in violation of Section 17(a) of the Securities Act, committed fraud in

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connection with the purchase or sale of securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, and failed to register as a broker-dealer in violation of Section 15(a) of the Exchange Act. In brief, the SEC alleged that Keating participated in a \$17.6 million unregistered private securities offering (PP LLC) and made misrepresentations to investors with respect to the same. Keating subsequently submitted an offer of settlement under which he consented to the entry of judgment without admitting or denying the complaint allegations (except as to jurisdiction). The SEC accepted the offer of settlement and on June 28, 2010, the Utah District Court entered a Judgment of Permanent Injunction. Under the Order, Keating was permanently restrained and enjoined from violating: Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder; Section 17(a) of the Securities Act; Section 5 of the Securities Act; and Section 15(a) of the Exchange Act. Keating was further ordered to pay disgorgement of ill-gotten gains, prejudgment interest thereon and a civil penalty.

OVERVIEW

In or about May 2006, WSI, through its two principals, JP and BS, approached Keating about purchasing vacant industrial sites in Texas to dismantle the facilities, sell the scrap metal and used equipment located thereon, and then ultimately redevelop the properties. Keating agreed to become involved in the project, and WSI and Keating subsequently formed CTH LP in or about August 2006 for that purpose. CTH LP was, at all relevant times, owned 50% by WSI and 50% by SM LLC, Keating's personal limited liability company that was also formed in or about August 2006. CTH GP was the general partner of CTH LP, and CTH GP was owned and controlled one-third each by JP, BS and Keating. Keating (through SM LLC) and WSI each were to provide 50% of the funding necessary for CTH LP to purchase the properties. Keating served as a director of CTH LP while he was associated with Torrey Pines. From on or about January 1, 2007 through on or about November 15, 2007, CTH LP compensated Keating in the approximate amount of \$75,000.00.

In connection with the CTH LP enterprise described above, Keating also formed PP LLC in or about August 2006. From August 2006 to March 2007, PP LLC was managed by Keating. PP LLC was formed for the purpose of raising approximately half of the funds that CTH LP needed to purchase the above-referenced industrial properties. From on or about September 2006 through on about March 2007, Keating raised approximately \$17.6 million by selling interests in PP LLC. In total, Keating sold interests in PP LLC to approximately 105 investors, approximately 40 of whom were customers of Torrey Pines. Per the PP LLC private placement memorandum, PP LLC was to: "purchase thirty percent (30%) of the nonferrous metal that is the result of dismantling, and scrapping of facilities in Texas.... The sole revenue to PP LLC is the result of selling the nonferrous metal associated with the [industrial properties] in the open commodities markets. Revenue will also result from the sell [sic] of used equipment associated with [two of the industrial properties]." Keating paid himself commissions totaling approximately \$1.7

million for his sales of the PP LLC interests, as was disclosed in the PP LLC private placement memorandum.

Keating's positions with CTH LP, CTH GP, SM LLC and PP LLC were outside business activities; his sales of the interests in PP LLC were private securities transactions. Keating did not provide prior written notification to or obtain written approval from Torrey Pines regarding his involvement with CTH LP, CTH GP, SM LLC, and PP LLC. With respect to outside business activities, Torrey Pines written procedures in effect at the time dictated that "employees are required to disclose to the Firm, in writing, any outside business activities prior to engaging in such activity." The procedures further noted that "[e]mployees are required to provide information regarding proposed outside business activities prior to engaging in them, as required by SRO rules. This form should be completed and submitted to Compliance which will review the request and notify the employee and the employee's supervisor of approval or disapproval." Regarding private securities transactions, Torrey Pines' procedures provided that "[e]mployees are not permitted to engage in private securities transactions (as defined by the NASD), whether or not there is compensation paid for effecting the transaction."

FACTS AND VIOLATIVE CONDUCT

1. Private Securities Transactions

From on or about September 2006 through on or about March 2007, Keating participated, outside the scope of his employment with Torrey Pines, in private securities transactions involving the offer and sale of interests in PP LLC. Keating sold interests in PP LLC totaling approximately \$17.6 million to approximately 105 investors. Keating, who received compensation for his participation in the approximate amount of \$1.7 million, failed to provide Torrey Pines with prior written notice of his proposed participation in these transactions and failed to receive prior written approval from Torrey Pines. At all relevant times, Torrey Pines' written procedures prohibited employees from engaging in private securities transactions.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rules 3040 and 2110.

2. Outside Business Activities

In 2006 and 2007, Keating, while associated with Torrey Pines, was employed as an officer, director, managing member, manager and/or partner in CTH LP, CTH GP, SM LLC, and PP LLC. Keating, however, failed to provide Torrey Pines with prompt written notice of these outside business activities.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rules 3030 and 2110.

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

A bar from association with any FINRA member in any capacity.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (*see* FINRA Rules 8310 and 8311).

Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Formal Complaint issued specifying the allegations against me;
- B. To be notified of the Formal 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 prejudice 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 Rule 9143 or the separation of functions prohibitions of 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.

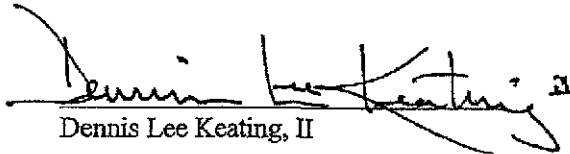
OTHER MATTERS

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.

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.

9/2/10
Date


Dennis Lee Keating, II

Reviewed by:


William M. Dailey, Esq.
Fox Rothschild LLP
One Landmark Square, 21st Floor
Stamford, CT 06901

Accepted by FINRA:

9/22/10
Date

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


Heather Hawker
Senior Regional Counsel
FINRA Department of Enforcement
4600 S. Syracuse St., Suite 1400
Denver, CO 80237-2719
(303) 446-3110
heather.hawker@finra.org