

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

Department of Enforcement,

Complainant,

v.

**Baldwin Anthony Securities, Inc.,
CRD No. 45108**

and

**William L. Baldwin
Financial and Operations Principal,
General Securities Principal
And Research Analyst
CRD No. 11221**

Respondents.

Disciplinary Proceeding No. 2009016264001

Date: March 13, 2012

Hearing Officer: LOM

**ORDER ACCEPTING OFFER OF SETTLEMENT OF RESPONDENTS
BALDWIN ANTHONY SECURITIES, INC. AND WILLIAM L. BALDWIN**

INTRODUCTION

Disciplinary Proceeding No. 2009016264001 filed on September 29, 2011 by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Baldwin Anthony Securities, Inc. (BASI) and William L. Baldwin (Baldwin) submitted an Offer of Settlement (Offer) to Complainant dated March 12, 2012. 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.

Under the terms of the Offer, BASI and Baldwin have 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, except that (1) the Fifth Cause of Action in the Complaint has been amended from a willful violation of SEC Regulation AC to a non-willful violation of SEC Regulation AC. BASI and Baldwin have also consented 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

Summary

Baldwin, a principal with BASI, prepared written research reports that Baldwin and BASI sent to their customers. These reports addressed the business activities, industry dynamics, and projected share prices of at least 12 publicly traded companies. Between March 2007 and January 2009, Baldwin and BASI violated several FINRA and NASD Rules in connection with these reports.

Baldwin frequently traded in securities issued by companies that he also followed in his research reports, sometimes within 30 days before and five days after publication of the reports, and sometimes in ways that were inconsistent with the recommendations contained in his most recent research reports. As a result of these transactions, Baldwin violated NASD Conduct Rules 2711(g) and 2110, as well as FINRA Rule 2010.

Baldwin and BASI also failed to include certain certifications required by SEC Regulation AC. As a result, both Baldwin and BASI violated SEC Regulation AC, and violated NASD Conduct Rule 2110 and FINRA Rule 2010.

BASI also failed to include certain required disclosures in the research reports, failed to ensure that a committee perform the required review of Baldwin's compensation and that a registered principal review and approve all of Baldwin's research reports, failed to adopt written supervisory procedures to provide adequate oversight of research reports and the activities of research analysts like Baldwin, and failed to file required annual attestations with the NASD and FINRA. In so doing, BASI violated various provisions of Rule 2711, NASD Conduct Rules 3010 and 2110, and FINRA Rule 2010.

Respondents and Jurisdiction

BASI has been a FINRA broker-dealer since July 1998. BASI conducts a general securities business from its main office, which is located in Dallas, Texas.

Baldwin entered the securities industry in August 1970. From April 9, 1998 through the present, Baldwin has been associated with FINRA broker-dealer BASI as its president. Baldwin is currently registered with FINRA as a financial and operations principal, general securities principal, and research analyst. Consequently, FINRA has ongoing jurisdiction over Baldwin.

FINDINGS AND CONCLUSIONS

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

FIRST CAUSE OF ACTION

NASD Rules 2711(g) and 2110 and FINRA Rule 2010 by Respondent Baldwin

1. The Baldwin Reports constitute Research Reports within the meaning of NASD Conduct Rule 2711(a)(9).

2. On 126 occasions between February 1, 2008 and October 31, 2008, Baldwin knowingly traded in the securities of one or more of the Subject Companies – i.e., the 12 companies whose businesses or securities were discussed in the Baldwin Reports. Baldwin conducted this trading through a brokerage account belonging to the Victory Equity Portfolio, L.P. (VEP), of which Baldwin was a partner, his IRA; and his and his wife's joint account.

NASD Conduct Rule 2711(g)(2)

3. NASD Conduct Rule 2711(g)(2) establishes a “blackout period” during which a research analyst may not purchase or sell “any security . . . issued by a company that the research analyst follows for a period beginning 30 calendar days before and ending five calendar days after the publication of a research report concerning the company or a change in a rating or priced target of the company’s securities.”

4. Of the 126 trades referenced in paragraph 18, at least 43 of them (a) involved securities of a Subject Company and (b) occurred during a blackout period for the same Subject Company. **Exhibit A** to the Complaint shows these trades and the dates of the relevant Baldwin Reports published by BASI.

5. Through these trades, Baldwin violated NASD Conduct Rule 2711(g).

NASD Conduct Rule 2711(g)(3)

6. NASD Conduct Rule 2711(g)(3) prohibits a research analyst from purchasing or selling “any security . . . in a manner inconsistent with the research analyst’s recommendation as reflected in the most recent research report published by the member.”

7. Although Baldwin did not use a “Recommend: buy” or “Recommend: sell” format, the Baldwin Reports often contained statements regarding whether his customers should or should not own shares of stock in the Subject Companies. Representative statements include:

- “I like the RCII stock as a long term investment.”
- “If I am right on the continued positive performances then I believe the CEC stock will offer investors a very attractive return in the coming year.”
- “The shares in my opinion are attractive for long term investors.”
- “MW is a survivor and in my opinion a very attractive long term investment.”
- “In my opinion MW is selling at an attractive price for long term investors”
- “This is a stock I want to own at this price for the next few years. The returns could be very attractive.”
- “In my opinion KEX remains a very attractive long-term investment.”

When coupled with the Baldwin Reports’ detailed discussions of the Subject Company’s business prospects and projected earnings per share, statements such as these constitute recommendations for purposes of Rule 2711(g)(3).

8. Of the 126 trades referenced in paragraph 18, at least 46 involved securities of a Subject Company and were inconsistent with the recommendations contained in Baldwin's most recent Research Report for the subject company.

9. Baldwin's trading activity involving Men's Wearhouse (MW) is an illustrative example of trading activity by Baldwin that was inconsistent with his most recent prior recommendation. Baldwin authored a November 29, 2007 Research Report concerning MW. The report discussed various reasons for the company's revenues and earnings for the third quarter of 2008 and included a projection of MW's earnings per share for 2008. Baldwin ended the report by stating: "In my opinion MW at current price is very attractive for long term investors." This constituted a recommendation to buy or own MW stock.

10. Baldwin did not prepare another Research Report concerning MW until May 29, 2008. In the meantime, Baldwin sold a total of 1,000 shares of MW stock through the VEP brokerage account (on February 19, 2008 and March 3, 2008).

11. In a May 29, 2008 Research Report on MW, Baldwin discussed first-quarter earnings and sales by division and also opined that the then-current stock price "is discounting a lot of what is being discussed in this memo." Baldwin concluded: "Management is proven, the brand is strong and the finances are triple A. MW is a very attractive long-term investment." This constituted a recommendation to own MW stock.

12. After publication of the May 29, 2008 report, Baldwin sold a total of 1,500 shares of MW stock through the VEP brokerage account in three separate trades before July 10, 2008, when BASI published Baldwin's next research report concerning MW.

13. Baldwin's next research report concerning MW was dated September 2, 2008. In that report, Baldwin highlighted particular business strategies, revenue opportunities, and

industry trends, and included financial information and earnings-per-share projections. He concluded the report by stating, “In my opinion MW is selling at an attractive price for long term investors.” This constituted a recommendation to own MW stock.

14. BASI next published a Research Report analyzing MW on October 23, 2008. On three occasions between September 2, 2008 and October 23, 2008, Baldwin sold a total of 2,500 shares of MW stock out of the VEP brokerage account.

15. In addition to his trading of Men’s Wearhouse stock, Baldwin traded the stock of other Subject Companies inconsistently with his most recent Research Reports concerning those companies on numerous occasions, including the following:

- After authoring a November 20, 2007 Research Report in which he recommended owning shares of Quanex Corp. stock – *e.g.*, “This will enhance the value of this company for shareholders”; “I am a long term investor in QBP” – and before BASI published another Research Report concerning Quanex Corp., Baldwin sold a total of 8,100 shares of Quanex Corp. stock over 11 transactions involving three brokerage accounts.
- After authoring a July 24, 2008 Research Report in which he recommended owning shares of stock in Radioshack Corp. – “there is a lot of upside to the stock . . . I think it is worth the bet because I do not think there is a lot of price risk” – and before BASI published another Research Report concerning Radioshack Corp., Baldwin sold 6,000 shares of Radioshack Corp. stock out of the VEP brokerage account over five transactions.
- Baldwin authored a Research Report dated September 12, 2007 containing a recommendation to own stock in Fossil, Inc.: “In my opinion FOSL has what it takes to be a core position in a long term investment portfolio.” BASI next published a Baldwin-prepared Research Report concerning Fossil, Inc. on October 23, 2008. In the meantime, Baldwin sold a total of 2,000 shares of Fossil, Inc. stock out of the VEP brokerage account over three transactions.
- Baldwin authored a Research Report dated June 18, 2008 containing a recommendation to own stock in Baldor Electric Co.: “The shares in my opinion are attractive for long term investors.” On two occasions between June 18, 2008 and August 20, 2008 – the date of the next

Research Report concerning Baldor Electric – Baldwin sold 1,000 shares of Baldor Electric stock out of the VEP brokerage account.

- Following the August 20, 2008 Research Report concerning Baldor Electric, which contained another recommendation to own Baldor Electric stock – stating, for example, “. . . will in the coming years provides [sic] in my opinion very attractive returns to BEZ shareholders” – Baldwin sold a total of 2,500 shares of Baldor Electric out of the VEP brokerage account in four separate transactions. BASI did not issue another Baldor Electric Research Report until November 4, 2008.
- Following a July 31, 2008 Research Report recommendation to own stock in Trinity Industries – stating “If you want to be a long term investor in TRN based on that outlook it makes a lot of sense” – and before BASI published another Research Report concerning Trinity Industries, Baldwin sold 1,500 shares of Trinity Industries stock through the VEP brokerage account in two transactions.
- Despite including a recommendation not to own Sonic Corp. stock in a June 25, 2008 Research Report – stating, in part, “I continue to remain on the sidelines with this stock” – Baldwin purchased 3,000 shares of Sonic Corp. stock on three separate occasions before BASI next published a Research Report concerning Sonic Corp.
- In a Research Report dated February 5, 2008, Baldwin recommended owning stock in Rent-A-Center, Inc. (RCII). But on March 10, 2008 – before BASI had issued another Research Report on RCII – Baldwin sold 1,500 shares of RCII out of the VEP brokerage account.
- After Baldwin authored an April 23, 2008 Research Report containing a recommendation to own stock in CEC Entertainment – “Despite move in stock it still appears attractively valued for investors” – he sold 1,500 shares of that stock on four occasions before BASI next published a Research Report concerning CEC Entertainment.
- On July 24, 2008, BASI published another Research Report authored by Baldwin regarding CEC Entertainment. This report also recommended owning stock in the Subject Company. Four days later, Baldwin sold 500 shares of CEC Entertainment stock out of the VEP brokerage account.

16. By the actions described above, Baldwin violated NASD Conduct Rules 2711(g)(2), 2711(g)(3), and 2110, and FINRA Rule 2010.

SECOND CAUSE OF ACTION

NASD Conduct Rules 2711(d)(2) and 2110 and FINRA Rule 2010 by Respondent BASI

17. NASD Conduct Rule 2711(d)(2) states that the “compensation of a research analyst who is primarily responsible for the preparation of the substance of a research report must be reviewed and approved at least annually by a committee that reports to the member’s board of directors, or when the member has no board of directors, to a senior executive officer of the member.” The Rule sets forth specific factors that the committee must consider when reviewing the research analyst’s compensation.

18. Between March 1, 2007 and January 11, 2009, BASI compensated Baldwin for his services.

19. Between March 1, 2007 and January 11, 2009, BASI did not submit Baldwin’s compensation to a committee that reported to BASI’s board of directors for review and approval.

20. By the actions described above, BASI violated NASD Conduct Rule 2711(d)(2), NASD Conduct Rule 2110, and FINRA Rule 2010.

THIRD CAUSE OF ACTION

NASD Rules 2711(h) and 2110 and FINRA Rule 2010 by Respondent BASI

21. NASD Conduct Rule 2711(h)(1) requires FINRA broker-dealers to include certain disclosures in research reports, including the fact and the nature of any financial interest held by the research analyst in the securities of the subject company of a research report.

22. At various times between March 1, 2007 and January 11, 2009, Baldwin – through the VEP brokerage account, his IRA, and the joint account with his wife – had financial

interests in the securities of companies that were the subjects of research reports that BASI distributed.

23. The Baldwin Reports did not disclose the fact or nature of Baldwin's financial interests in the Subject Companies.

24. By the actions described above, BASI violated NASD Conduct Rule 2711(h), NASD Conduct Rule 2110, and FINRA Rule 2010.

FOURTH CAUSE OF ACTION

NASD Rules 2711(i) and 2110 and FINRA Rule 2010 by Respondent BASI

25. NASD Conduct Rule 2711(i) requires each member subject to Rule 2711 to "adopt and implement written supervisory procedures reasonably designed to ensure that the member and its employees comply with the provisions of this rule (including the attestation requirements of Rule 2711(d)(2)), and a senior officer of such a member must attest annually to NASD by April 1 of each year that it has adopted and implemented those procedures."

26. Between March 1, 2007 and January 11, 2009, BASI failed to file annual attestations with NASD or FINRA concerning its adoption and implementation of written supervisory procedures reasonably designed to ensure that BASI and its employees complied with the provisions of NASD Rule 2711.

27. By the actions described above, BASI violated NASD Conduct Rule 2711(i), NASD Conduct Rule 2110, and FINRA Rule 2010.

FIFTH CAUSE OF ACTION

SEC Regulation AC Sec. 501, NASD Rule 2110, and FINRA Rule 2010 by Respondents BASI and Baldwin

28. Section 501 of SEC Regulation Analyst Certification (Regulation AC) “requires that brokers, dealers, and their associated persons that are ‘covered persons’ that publish, circulate, or provide research reports” include certain certifications in those reports, namely:

- A statement by the research analyst certifying that the views expressed in the research report accurately reflect such research analyst’s personal views about the subject securities or issuers; and
- A statement by the research analyst certifying that no part of his or her compensation was, is, or will be directly or indirectly related to the specific recommendation or views contained in the research report.

29. Between March 1, 2007 and January 11, 2009, the Baldwin Reports did not contain the certifications required by SEC Regulation AC.

30. By the actions described above, Respondents BASI and Baldwin both violated SEC Regulation AC and violated NASD Conduct Rule 2110 and FINRA Rule 2010.

SIXTH CAUSE OF ACTION

NASD Conduct Rule 3010(a) & (b), NASD Rule 2110, and FINRA Rule 2010 by Respondent BASI

31. Between March 1, 2007 and January 11, 2009, BASI failed to establish and maintain a supervisory system sufficient to ensure:

- that a registered principal reviewed and approved Research Reports prior to their publication,
- that research analysts employed by the firm did not trade in the securities of Subject Companies during the blackout period created by NASD Conduct Rule 2711(g)(2), or

- that research analysts employed by BASI did not trade in the securities of a Subject Company in a manner inconsistent with the analyst's recommendation in the firm's most recently published research report concerning that company.

32. Between March 1, 2007 and January 11, 2009, BASI did not establish, maintain, and enforce written supervisory procedures that were reasonably designed to ensure that BASI's research department complied with all applicable NASD and FINRA rules.

33. By the actions described above, BASI violated NASD Conduct Rules 3010 and 2110, and FINRA Rule 2010.

SANCTIONS

It is ordered that:

1. BASI is censured;
2. BASI is fined \$15,000;¹
3. Baldwin is suspended for 20 business days in all capacities other than as a financial and operations principal (FINOP);
4. Baldwin is suspended for 60 days as a research analyst (Series 86 and 87);
5. Baldwin is fined \$10,000.

BASI and Baldwin agree to pay the monetary sanctions upon notice that this Offer has been accepted and that such payments are due and payable. BASI and Baldwin have submitted an Election of Payment form showing the method by which they propose to pay the fines imposed.

BASI and Baldwin specifically and voluntarily waive any right to claim that they are unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

¹Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine in this case after it considered, among other things, the firm's revenues and financial resources. See Notice to Members 06-55.

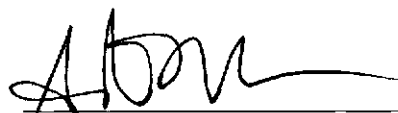
Baldwin understands that if he is barred or suspended from associating with any FINRA broker-dealer, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, except as a FINOP, Baldwin may not be associated with any FINRA broker-dealer in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See FINRA Rules 8310 and 8311.)

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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