

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

SEAN FRANCIS SHERIDAN,
CRD No. 3151928,

RESPONDENT.

DISCIPLINARY PROCEEDING

No. 2009019209204

Hearing Officer – LBB

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: February 12, 2013

INTRODUCTION

Disciplinary Proceeding No. 2009019209204 was filed on August 29, 2012 and amended on October 4, 2012, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Sean Francis Sheridan submitted an Offer of Settlement (Offer) to Complainant dated January 30, 2013. 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, Respondent has 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 understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

On December 20, 1986, Respondent first became registered with FINRA as a General Securities Representative. From on or about April 20, 2001 through on or about January 27, 2010, Respondent was registered in that same capacity through J.P. Turner & Company LLC (the Firm). Respondent reported to an Office of Supervisory Jurisdiction in Nebraska, but worked from his home in New Jersey. Respondent was last associated with a member firm on October 20, 2012.

FINDINGS AND CONCLUSIONS

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

SUMMARY

1. From in or about January 2007 through December 2009 (the Relevant Period), Respondent recommended approximately 205 unsuitable mutual fund switch transactions in the accounts of eight customers. Respondent only recommended Class A mutual fund shares, thereby requiring customers to pay sales charges with each new purchase. Furthermore, Respondent effected the switches on a short-term basis. The average holding period for the mutual funds that Respondent sold was just four to five months.
2. As a result of Respondent's unsuitable switches and trading of mutual funds, the customers incurred unnecessary sales charges and suffered losses of

approximately \$1,048, 856. Conversely, Respondent received commissions of approximately \$267,000 through this activity.

3. Additionally, Respondent never disclosed to the eight customers that they could avoid new sales charges through the use of "Free Exchanges," which enable the exchange of mutual fund shares within the same fund family at no additional cost. Some of Respondent's customers owned funds in 30 or more different mutual fund families during the Relevant Period.
4. Moreover, Respondent falsified firm records. His mutual fund switch recommendations were solicited. Nevertheless, from January 2007 until in or about November 2008, Respondent falsely identified those transactions as "unsolicited" when placing the trades through his employer member firm's electronic order entry system, thereby causing its records to be inaccurate.
5. By virtue of this misconduct, Respondent violated NASD Conduct Rules 2110, 2120, 2310 and 3110, IM-2310-2, and FINRA Rules 2010 and 2020, and he willfully violated Section 10(b) of the Securities Exchange Act of 1934 (Exchange Act) and Rule 10b-5 thereunder.

OVERVIEW OF RESPONDENT'S UNSUITABLE MUTUAL FUND SWITCHING/TRADING ACTIVITY

6. During the Relevant Period, Respondent recommended and effected approximately 205 unsuitable mutual fund switches in the accounts of eight customers (EW, FW, RM & DM (Joint Account), RMS, CD, MD and DP). In connection with those transactions, Respondent exclusively recommended Class

A mutual fund shares that charged front-end sales loads of 4-5% with each new purchase.

7. The funds that Respondent sold to his customers were the products of large mutual fund companies, such as Janus, Fidelity and Van Kampen, that had numerous fund offerings in different categories and investment styles. Nevertheless, Respondent consistently moved customers into a new mutual fund company (fund family) with each new recommendation and subsequent purchase, requiring them to pay a new sales charge each time.
8. Respondent randomly switched customers between fund categories such as Growth, Natural Resources, Gold, Emerging Markets, Science and Technology. As alleged further herein, Respondent never offered or disclosed to customers the option of exchanging into another fund within the same fund family at no cost.
9. Furthermore, Respondent traded the mutual funds in these accounts on a short-term basis. He held the majority of the mutual funds on average of only four to five months before selling them to buy another mutual fund. In some instances, he sold fund shares in customer accounts within a month of purchase.
10. The mutual fund customers were unsophisticated investors and had maintained their accounts with Respondent for several years. Three of the customers are retired and two are disabled. They did not understand the risks associated with mutual fund trading/switching. Instead, they relied on Respondent to guide them. In most instances, the funds that they invested with Respondent represented the majority of their liquid net worth and retirement funds.

11. Respondent's mutual fund switching/trading succeeded in generating commissions for himself, rather than investment returns for the customers. During the Relevant Period, Respondent's customers incurred losses of approximately \$1,048,856, while Respondent received commissions of approximately \$267,000.

**Unsuitable Mutual Fund Switching/Trading (Customer EW)
(NASD Conduct Rules 2310 and 2110 and IM-2310-2)**

12. EW opened a brokerage account with Respondent at the Firm in 2003. At the time, EW was 32 years old, a high school graduate and disabled. EW's primary source of income, in addition to his investments, was his social security disability benefits. On the new account form, Respondent listed EW's investment objectives as "safety of principal," "income" and "growth."
13. From in or about January 2007 through in or about October 2008, Respondent recommended to EW and effected approximately 32 mutual fund switches in his account, as more fully described in Exhibit A attached to this Offer and incorporated herein by reference. Respondent only recommended Class A mutual fund shares to EW, resulting in EW having to pay additional sales charges with each new purchase. In total, Respondent recommended and effected approximately 70 mutual fund transactions that Respondent recommended and effected in EW's account during this period.
14. Moreover, Respondent engaged in the short-term trading of mutual fund positions in EW's account. On average, he held EW's mutual fund positions for only six months before selling them to buy another fund. In two instances, Respondent sold mutual funds in EW's account within one month of their purchase.

15. Respondent recommended and effected the transactions in EW's account, as detailed on Exhibit A, without having reasonable grounds for believing that such transactions were suitable for EW in view of the size and frequency of the transactions, the transaction costs incurred, and in light of the customer's financial situation, investment objectives, and needs.
16. During this period, EW lost approximately \$272,000 through Respondent's unsuitable recommendations. Conversely, Respondent received approximately \$48,000 in gross commissions from this activity.
17. By recommending unsuitable mutual fund transactions to EW, Respondent violated NASD Conduct Rules 2310 and 2110 and IM-2310-2.

**Unsuitable Mutual Fund Switching/Trading (Customer FW)
(NASD Conduct Rules 2310 and 2110 and IM-2310-2)**

18. FW opened a brokerage account with Respondent at the Firm in 2003. At the time, FW was 54 years old and worked as an administrative employee at a medical practice. On the new account forms, Respondent listed FW's investment objectives as "safety of principal" and "growth." Respondent further identified FW's risk tolerance as "medium."
19. From in or about January 2007 through in or about November 2008, Respondent recommended to FW and effected approximately nine mutual fund switches in her account, as more fully described in Exhibit B attached to this Offer and incorporated herein by reference. Respondent only recommended Class A mutual fund shares to FW, resulting in her having to pay additional sales charges with each new purchase. In total, Respondent recommended and effected approximately 22 mutual fund trades in FW's account during this period.

20. Respondent engaged in the short-term trading of mutual funds in FW's account. On average, he held FW's mutual fund positions for only five months before selling them to buy another mutual fund. In one instance, Respondent sold a mutual fund in FW's within three weeks of purchase.
21. Respondent recommended and effected the transactions in FW's account, as detailed on Exhibit B, without having reasonable grounds for believing that such transactions were suitable for FW in view of the size and frequency of the transactions, the transaction costs incurred, and in light of the customer's financial situation, investment objectives, and needs.
22. During this period, FW lost approximately \$29,000 through Respondent's unsuitable recommendations. Conversely, Respondent received gross commissions of approximately \$6,000 from this activity.
23. By recommending unsuitable mutual fund transactions to FW, Respondent violated NASD Conduct Rules 2310 and 2110 and IM-2310-2.

**Unsuitable Mutual Fund Switching/Trading (Customers RM/DM)
(NASD Conduct Rules 2310 and 2110, IM-2310-2 and FINRA Rule 2010)**

24. RM and DM opened a joint account with Respondent at the Firm in 2003. RM and DM are married, and RM is a small business owner. On the new account forms, Respondent listed the customers' investment objectives as "safety of principal" and "growth."
25. From in or about January 2007 through in or about December 2009, Respondent recommended to RM and DM and effected approximately 38 mutual fund switches in their account, as more fully described in Exhibit C to this Offer and incorporated herein by reference. Respondent only recommended Class A mutual

fund shares to RM and DM, resulting in them having to pay additional sales charges with each new purchase. In total, Respondent recommended and effected approximately 80 mutual fund transactions in RM and DM's account during this period.

26. Respondent engaged in the short-term trading of mutual funds in the joint account. On average, he held the mutual fund in this account for only five months before selling them to buy another mutual fund. In two instances, Respondent sold mutual funds in the joint account within one month of purchase, and in five instances, sold mutual funds within two months of purchase.
27. Respondent recommended and effected the transactions in RM and DM's account, as detailed on Exhibit C, without having reasonable grounds for believing that such transactions were suitable for RM and DM in view of the size and frequency of the transactions, the transaction costs incurred, and in light of the customers' financial situation, investment objectives, and needs.
28. During this period, RM and DM lost approximately \$127,000 through Respondent's unsuitable recommendations. Conversely, Respondent's received commissions of approximately \$35,000 from this activity.
29. By recommending unsuitable transactions to RM/DM, Respondent violated NASD Conduct Rules 2110 (for conduct before December 15, 2008) and 2310, IM-2310-2 and FINRA Rule 2010 (for conduct after December 14, 2008).

**Unsuitable Mutual Fund Switching/Trading (Customer RMS)
(NASD Conduct Rules 2310 and 2110, IM-2310-2 and FINRA Rule 2010)**

30. RMS opened an IRA account with Respondent at the Firm in 2003. At the time, RMS was 65 years old and retired. On the new account forms, Respondent listed RMS's investment objectives as safety of principal and growth.
31. From in or about February 2007 through in or about December 2009, Respondent recommended to RMS and effected approximately 23 mutual fund switches in his account, as more fully described in Exhibit D attached to this Offer and incorporated herein by reference. Respondent only recommended Class A mutual fund shares to RMS, resulting in him having to pay additional sales charges with each new purchase. In total, Respondent recommended and effected approximately 46 mutual fund transactions in RMS's account during this period.
32. Respondent engaged in the short-term trading of mutual funds in RMS's account. On average, he held the mutual fund positions in RMS' account for only five months before selling them to buy another mutual fund. In one instance, Respondent sold a mutual fund in RMS's account after only three weeks of purchase. In addition, Respondent sold three other mutual fund positions in this account within two months of purchase.
33. Respondent recommended and effected the transactions in RMS's account, as detailed on Exhibit D, without having reasonable grounds for believing that such transactions were suitable for RMS in view of the size and frequency of the transactions, the transaction costs incurred, and in light of the customer's financial situation, investment objectives, and needs.

34. During this period, RMS lost approximately \$83,000 through Respondent's unsuitable recommendations. Conversely, Respondent received gross commissions of approximately \$19,000 from this activity.
35. By recommending unsuitable mutual fund transactions to RMS, Respondent violated NASD Conduct Rules 2110 (for conduct before December 15, 2008) and 2310, IM-2310-2 and FINRA Rule 2010 (for conduct after December 14, 2008).

**Unsuitable Mutual Fund Switching/Trading (Customer CD)
(NASD Conduct Rules 2310 and 2110, IM-2310-2 and FINRA Rule 2010)**

36. CD opened an IRA account with Respondent at the Firm in 2007. At the time, CD was 70 years old and a retired commercial printer. On the new account form, Respondent listed CD's investment objective as "capital appreciation" and identified CD's risk tolerance as "moderate."
37. From in or about October 2007 through in or about December 2009, Respondent recommended to CD and effected approximately 17 mutual fund switches in his account, as more fully described in Exhibit E to this Offer and incorporated herein by reference. Respondent only recommended Class A mutual fund shares to CD, resulting in him having to pay additional sales charges with each new purchase. In total, there were approximately 39 mutual fund transactions that Respondent recommended and effected in CD's account during this period.
38. Respondent engaged in the short-term trading of mutual funds in this account. On average, he held the mutual fund positions in CD's account for only four-and-a-half months before selling them. In one instance, Respondent sold a mutual fund in this account within three weeks of its purchase.

39. Respondent recommended and effected the transactions in CD's account, as detailed on Exhibit E, without having reasonable grounds for believing that such transactions were suitable for CD in view of the size and frequency of the transactions, the transaction costs incurred, and in light of the customer's financial situation, investment objectives, and needs.
40. During this period, CD lost approximately \$88,000 through Respondent's unsuitable recommendations. Conversely, Respondent received gross commissions of approximately \$16,000 from this activity.
41. By recommending unsuitable transactions to CD, Respondent violated NASD Conduct Rules 2110 (for conduct before December 15, 2008) and 2310, IM-2310-2 and FINRA Rule 2010 (for conduct after December 14, 2008).

**Unsuitable Mutual Fund Switching/Trading (Customer MD)
(NASD Conduct Rules 2310 and 2110, IM-2310-2 and FINRA Rule 2010)**

42. MD opened multiple brokerage accounts with Respondent at the Firm in March 2005. The activity alleged herein occurred in MD's IRA rollover account. At the time the accounts were opened, MD was 65 years old and retired. On the new account forms, Respondent listed MD's investment objective as "capital appreciation" and identified her risk tolerance as "moderate."
43. From in or about February 2007 through in or about December 2009, Respondent recommended to MD and effected approximately 38 mutual fund switches in her account, as more fully described in Exhibit F to this Offer and incorporated herein by reference. Respondent only recommended Class A mutual fund shares to MD, resulting in her having to pay additional sales charges with each new purchase. In

total, Respondent recommended and effected approximately 83 mutual fund transactions in MD's account during this period.

44. Respondent engaged in the short-term trading of mutual funds in this account. On average, he held the mutual fund positions in MD's account for only five months before selling them. In one instance, Respondent sold a mutual fund in this account after only one month. In addition, Respondent sold five other positions within two months of purchase.
45. Respondent recommended and effected the transactions in MD's account, as detailed on Exhibit F, without having reasonable grounds for believing that such transactions were suitable for MD in view of the size and frequency of the transactions, the transaction costs incurred, and in light of the customer's financial situation, investment objectives, and needs.
46. During this period, MD lost approximately \$137,000 through Respondent's unsuitable recommendations. Conversely, Respondent received gross commissions of approximately \$46,000 from this activity.
47. By recommending unsuitable transactions to MD, Respondent violated NASD Conduct Rules 2110 (for conduct before December 15, 2008) and 2310, IM-2310-2 and FINRA Rule 2010 (for conduct after December 14, 2008).

**Unsuitable Mutual Fund Switching/Trading (Customer DP)
(NASD Conduct Rules 2310 and 2110, IM-2310-2 and FINRA Rule 2010)**

48. DP opened an IRA account with Respondent at the Firm in December 2002. At the time the account was opened, DP was 60 years old and retired. On the new account form, Respondent listed DP's investment objective as "Growth."

49. From in or about January 2007 through in or about December 2009, Respondent recommended to DP and effected approximately 48 mutual fund switches in her account, as more fully described in Exhibit G to this Offer and incorporated herein by reference. Respondent only recommended Class A mutual fund shares to DP, resulting in her having to pay additional sales charges with each new purchase. In total, Respondent recommended and effected approximately 100 mutual fund transactions in DP's account during this period.
50. Respondent engaged in the short-term trading of mutual funds in this account. On average, he held the mutual fund positions in DP's account for only four-and-a-half months before selling them. In thirteen instances, Respondent sold a mutual fund in this account within three months of purchase.
51. Respondent recommended and effected the transactions in DP's account, as detailed on Exhibit G, without having reasonable grounds for believing that such transactions were suitable for DP in view of the size and frequency of the transactions, the transaction costs incurred, and in light of the customer's financial situation, investment objectives, and needs.
52. During this period, DP lost approximately \$312,856 through Respondent's unsuitable recommendations. Conversely, Respondent received gross commissions of approximately \$97,000 from this activity.
53. By recommending unsuitable transactions to DP, Respondent violated NASD Conduct Rules 2110 (for conduct before December 15, 2008) and 2310, IM-2310-2 and FINRA Rule 2010 (for conduct after December 14, 2008).

Fraudulent Omissions
(NASD Conduct Rules 2120 and 2110, IM-2310-2, FINRA Rules 2010 and 2020, and
Section 10(b) of the Exchange Act and Rule 10b-5 thereunder)

54. In connection with the mutual fund switches involving customer EW described in Exhibit A (First Cause of Action in Complaint), Respondent failed to disclose to EW that he could avoid a sales charge for each new Class A mutual purchase through the use of a free exchange. This was material information. Because Respondent failed to provide EW with the option of utilizing free exchanges, EW paid front-end sales loads of approximately 4 to 5% for each mutual fund investment.
55. In connection with the mutual fund switches involving customer FW described in Exhibit B (Second Cause of Action in Complaint), Respondent failed to disclose to FW that she could avoid a sales charge for each new Class A mutual purchase through the use of a free exchange. This was material information. Because Respondent failed to provide FW with the option of utilizing free exchanges, she paid front-end sales loads of approximately 4 to 5% for each mutual fund investment.
56. In connection with the mutual fund switches involving customers RM and DM described in Exhibit C (Third Cause of Action in Complaint), Respondent failed to disclose to RM and DM that they could avoid a sales charge for each new Class A mutual purchase through the use of a free exchange. This was material information. Because Respondent failed to provide these customers with the option of utilizing free exchanges, they paid front-end sales loads of approximately 4 to 5% for each mutual fund investment.

57. In connection with the mutual fund switches involving customer RMS described in Exhibit D (Fourth Cause of Action in Complaint), Respondent failed to disclose to RMS that he could avoid a sales charge for each new Class A mutual purchase through the use of a free exchange. This was material information. Because Respondent failed to provide RMS with the option of utilizing free exchanges, RMS paid front-end sales loads of approximately 4 to 5% for each mutual fund investment.
58. In connection with the mutual fund switches involving customer CD described in Exhibit E (Fifth Cause of Action in Complaint), Respondent failed to disclose to CD that he could avoid a sales charge for each new Class A mutual purchase through the use of a free exchange. This was material information. Because Respondent failed to provide CD with the option of utilizing free exchanges, CD paid front-end sales loads of approximately 4 to 5% for each mutual fund investment.
59. In connection with the mutual fund switches involving customer MD described in Exhibit F (Sixth Cause of Action in Complaint), Respondent failed to disclose to MD that she could avoid a sales charge for each new Class A mutual purchase through the use of a free exchange. This was material information. Because Respondent failed to provide MD with the option of utilizing free exchanges, she paid front-end sales loads of 4 to 5% for each mutual fund investment.
60. In connection with the mutual fund switches involving customer DP described in Exhibit G (Seventh Cause of Action in Complaint), Respondent failed to disclose to DP that she could avoid a sales charge for each new Class A mutual purchase

through the use of a free exchange. This was material information. Because Respondent failed to provide DP with the option of utilizing free exchanges, she paid front-end sales loads of 4 to 5% for each mutual fund investment.

61. As part of the course of conduct described in paragraphs 54-60 above, Respondent, in connection with the purchase or sale of securities, directly or indirectly, by the use of the means or instrumentalities of interstate commerce, or of the mails, or of any facility of any national securities exchange, knowingly or recklessly: employed devices, schemes or artifices to defraud; made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person; or effected transactions in, or induced the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device or contrivance.
62. By omitting material facts in selling securities to customers, Respondent willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and violated NASD Conduct Rules 2120 and 2110 (both for conduct before December 15, 2008), IM-2310-2 and FINRA Rules 2020 and 2010 (both for conduct after December 14, 2008).

**Falsification of Records
(NASD Conduct Rules 3110 and 2110)**

63. From in or about January 2007 through in or about November 2008, Respondent provided false information to the Firm regarding the mutual fund transactions involving customers EW, FW, RM and DM (Joint Account), RMS, CD, MD and DP as detailed in Exhibits A through G to this Offer.
64. Respondent solicited those mutual fund transactions. Nevertheless, from January 2007 until in or about November 2008, Respondent falsely identified those transactions as “unsolicited” when placing the trades through the Firm’s electronic order entry system, thereby causing the Firm’s records to be inaccurate.
65. By providing false information to the Firm, Respondent violated NASD Conduct Rule 2110, and, by falsifying Firm records, he violated NASD Conduct Rules 3110 and 2110.

Based on the foregoing, Respondent violated NASD Conduct Rules 2120, 2310, 3110 and 2110 and IM-2310-2, FINRA Rules 2020 and 2010, and willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

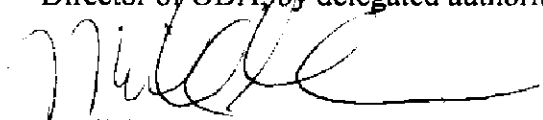
It is ordered that Respondent be barred from association with any FINRA member in any capacity.

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

SO ORDERED.

FINRA

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

A handwritten signature in black ink, appearing to read "Mike Newman", written over a horizontal line.

Michael J. Newman
Senior Regional Counsel
FINRA Department of Enforcement
581 Main Street, 7th Floor
Woodbridge, NJ 07095
(732) 596-2030; Fax (202) 721-6557