

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

Department of Enforcement,

Complainant,

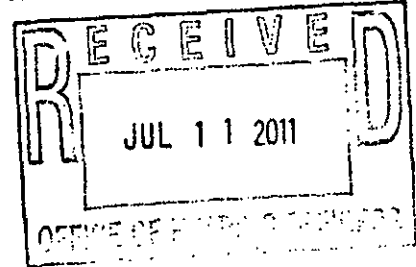
v.

Carolyn Avia Harmon  
CRD No. 4126542,

Respondent.

DISCIPLINARY PROCEEDING  
No. 20090210415

HEARING OFFICER -



**COMPLAINT**

The Department of Enforcement ("Enforcement") alleges:

**SUMMARY**

1. Between November 2006 and September 2009, Respondent Carolyn Avia Harmon ("Harmon"), an unregistered Branch Office Administrator with a Lenoir, North Carolina branch of Edward Jones (the "Firm"), misappropriated more than \$63,000 in funds intended for customer accounts. By virtue of this conduct, Harmon violated NASD Rule 2110 and FINRA Rule 2010.

2. Specifically, in or around November 2006, Harmon opened an account in her husband's name without his knowledge or authorization and, through November 2009, improperly deposited customer funds into this account. The majority of the improper deposits were subsequently moved into an account in Harmon's name. To effect these transfers, Harmon signed her husband's name to several letters of authorization without his knowledge or authorization.

3. During the course of FINRA's investigation into her alleged misappropriations, FINRA staff members requested information from Harmon on several occasions, pursuant to

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FINRA Rule 8210. Harmon failed to respond to several of these requests for information, thereby violating FINRA Rules 8210 and 2010.

#### **RESPONDENT AND JURISDICTION**

4. Respondent Harmon (CRD No. 4126542) entered the securities industry in January 2000 as an unregistered Branch Office Administrator at an Edward Jones branch office in Lenoir, North Carolina. Harmon remained associated with the Firm in this position until her employment was terminated in November 30, 2009. FINRA retains jurisdiction over Harmon pursuant to Article V, Section 4(a) of the By-Laws, as the conduct that serves as the basis for this action commenced prior to her termination and this action is filed within two years after the date upon which she ceased to be associated with a member firm.

#### **FIRST CAUSE OF ACTION**

##### **Harmon Wrongfully Converted and Misappropriated Customer Funds (Violation of NASD Rule 2110 and FINRA Rule 2010)**

5. Enforcement re-alleges and incorporates by reference paragraphs 1 through 4, above.

6. As a Branch Office Administrator at the Firm, Harmon was responsible for, among other things, administrative processing of account transfers and account openings and closings. In November 2006, Harmon opened account number [REDACTED] in the name of her husband, Clint D. Harmon, Jr., without his knowledge or authorization ("husband's account"). At approximately the same time in November 2006, Harmon opened account number [REDACTED] in her own name.

7. Between November 2006 and September 2009, Harmon deposited funds intended for certain customer accounts at the Firm into her husband's account.

8. She subsequently transferred the majority of the funds into her account. Harmon used these funds to pay her personal bills.

9. In addition, Harmon also improperly deposited two other customers' checks into Edward Jones account number [REDACTED]—an account held jointly by Harmon and her husband.

10. The Firm discovered the activity in November 2009 when checks intended to be deposited into three customers' accounts were never received into those accounts. The activity was discovered by the Firm's Field Supervision Department.

11. During the course of the Firm's investigation, the Firm tracked the deposits to Harmon's husband's account. On November 23, 2009, the Firm questioned Harmon regarding the nature of the deposits in question. Harmon stated that she did not know why the funds were deposited in her husband's account and attributed the misallocation to an administrative error. Harmon also claimed that her husband performed work for some of the entities in question and that the funds may have been payment for his services.

12. When questioned further, Harmon could not explain why: 1) the checks in question had the customer account numbers written on the checks prior to being deposited, but the Firm's internal deposit record reflected Harmon's husband's account as the recipient of the funds; or 2) the check numbers on the Firm's internal deposit records did not match the check numbers on the deposited checks.

13. The Firm had a second conversation with Harmon on November 30, 2009. During this conversation, Harmon verbally admitted to diverting the funds in question into her husband's account to assist a relative living in a group home.

14. In total, between November 2006 and September 2009, Harmon misappropriated more than \$63,000 from at least 21 customers of the Firm.

15. By virtue of the foregoing, Harmon violated NASD Rule 2110 and FINRA Rule 2010.

**SECOND CAUSE OF ACTION**

**Harmon Failed to Provide Information and Documents to FINRA  
(Violation of FINRA Rules 8210 and 2010)**

16. Enforcement re-alleges and incorporates by reference paragraphs 1 through 15, above.

17. Pursuant to FINRA Rule 8210, Enforcement issued a request for information and documents to Harmon on January 27, 2010, by certified mail, return receipt requested, and first-class mail to [REDACTED] Harmon's residential address as reflected in the Central Registration Depository ("CRD Address"). The letter sent by certified mail was signed for by Harmon. The letter sent by first-class mail was not returned to FINRA. Enforcement received a brief, hand-written letter dated February 8, 2010, in which Harmon responded to the initial Rule 8210 request for information and documents.

18. On August 13, 2010, and September 2, 2010, Enforcement issued additional requests for information and documents to Harmon, pursuant to FINRA Rule 8210. These requests were sent by certified mail, return receipt requested, and first-class mail to Harmon's CRD Address. The August 13, 2010, and September 2, 2010, letters sent by certified mail were signed for by a "David Barlowe." Neither letter sent by first-class mail was returned to FINRA. Harmon failed to respond to either of these requests. In September 2010, Enforcement also received from the Firm an e-mail address for Harmon and attempted to contact her via this newly discovered e-mail address in order to solicit a response to the prior requests. Harmon did not respond to that e-mail.

19. By virtue of the foregoing, Harmon violated FINRA Rule 8210. By failing to respond to these regulatory requests, Harmon also failed to observe high standards of commercial honor and just and equitable principles of trade, thereby violating FINRA Rule 2010.

### **RELIEF REQUESTED**

WHEREFORE, the Department of Enforcement respectfully requests:

- A. an order that one or more of the sanctions provided pursuant to FINRA Rule 8310, including a bar against Respondent from associating with any member firm in any capacity, be imposed; and
- B. an order that Respondent bear such costs of any proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

**FINRA DEPARTMENT OF ENFORCEMENT**

Date: July 11, 2011

  
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