

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

Department of Enforcement,

Complainant,

v.

David D. Anthony (CRD No. 4671195),

Respondent.

Disciplinary Proceeding
No. 2010021668703

Hearing Officer: LBB

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: April 17, 2013

INTRODUCTION

Disciplinary Proceeding No. 2010021668703 was filed on November 9, 2012, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent David D. Anthony submitted an Offer of Settlement (Offer) to Complainant dated April 2, 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 (as amended by the Offer of Settlement), 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 (as amended by the Offer of Settlement), 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

Anthony entered the securities industry on June 25, 2003, as a General Securities Representative of Multi-Financial Securities Corporation (the "Firm"), a FINRA member firm. During all periods mentioned herein, Anthony was associated with the Firm, and was registered with FINRA under Article V of the By-Laws as a General Securities Representative. Anthony currently is not associated with a FINRA member. Although Anthony is no longer registered or associated with a FINRA member, 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 after the effective date of termination of Respondent's registration with the Firm, namely, November 19, 2010; and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member. Anthony has no relevant disciplinary history.

FINDINGS AND CONCLUSIONS

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

1. In 2010, David D. Anthony, while associated with Multi-Financial Securities Corporation (the "Firm"), facilitated investors GP and AA/JA's involvement in a private securities transaction by introducing, discussing, and referring them to Integrity Capital, LLC ("Integrity Capital") for investment purposes. GP and AA/JA were tax clients of Anthony, while AA/JA were customers of the Firm.

2. GP and AA/JA invested in Integrity Capital by purchasing secured promissory notes (hereafter, "Integrity Promissory Notes"), which are now in default.
3. At no point did Anthony disclose to the Firm that he participated in the sale of these investments in Integrity Capital by introducing, discussing, and referring GP and AA/JA to Integrity Capital, which led to GP and AA/JA's purchase of Integrity Promissory Notes. Nor did Anthony receive approval from the Firm for his involvement.
4. By this conduct, Anthony violated NASD Rule 3040 and FINRA Rule 2010.
5. Additionally, Anthony's recommendation to GP, which involved introducing, discussing, and referring GP to Integrity Capital to invest \$100,000 in an Integrity Promissory Note, was unsuitable in view of the customer's financial situation, investment objectives, and other holdings. Thus, Anthony violated NASD Conduct Rule 2310 and 2110.
6. Anthony entered the securities industry on June 25, 2003, as a General Securities Representative of the Firm, a FINRA member firm. During all periods mentioned herein, Anthony was associated with the Firm, and was registered with FINRA under Article V of the By-Laws as a General Securities Representative.
7. Anthony currently is not associated with a FINRA member.
8. Although Anthony is no longer registered or associated with a FINRA member, 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 after the effective date of termination of Respondent's

registration with the Firm, namely, November 19, 2010; and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member.

9. Anthony has no prior disciplinary history.

THE INTEGRITY PROMISSORY NOTES

10. The Integrity Promissory Notes are "securities" under § 3(a)(10) of the Securities Exchange Act of 1934.

11. The Integrity Promissory Notes state on the first page:

...THIS NOTE MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT [OF 1933, AS AMENDED] OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT [OF 1933, AS AMENDED] AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS...

12. Both GP and AA/JA's Integrity Promissory Notes provide for a maturity period of three years at 9% interest rate per annum.

13. The Integrity Promissory Notes reference a Loan and Security Agreement, which specifically provides that the Integrity Promissory Note proceeds would be used for the purchase of assets and/or capital stock of Integrity Capital, Inc. and the purchase of government backed vouchers and other commercial loans.

14. AA/JA's Integrity Capital, LLC Lender Representation Letter states that:

The Lender acknowledges and understands that the Loan and the Note may not be sold, transferred, or otherwise disposed of except

pursuant to an exemption from registration under the Securities Act [of 1933, as amended] and in accordance with all other applicable U.S. securities laws...The Lender is making the Loan and acquiring the Note as principal for its own account for investment purposes only and not with a view to or for distributing or reselling such Note or any part hereof.

15. Investors GP and AA/JA invested money, specifically, \$100,000 and \$300,000, respectively, in Integrity Capital, LLC via the Integrity Promissory Notes.
16. Although the Integrity Promissory Notes were purportedly secured, perfection of the security interest was dependent on the note purchasers' filing financing statements, and no financing statements were signed by Integrity Capital, LLC or provided to the purchasers.
17. GP and AA/JA were induced to purchase the Integrity Promissory Notes by the promised return of 9% interest rate per annum.

FIRST CAUSE OF ACTION

(NASD Conduct Rule 3040 and FINRA Rule 2010 - Selling Away)

18. During all relevant times, Anthony was a Certified Public Accountant (CPA) and had an accounting and tax planning and return preparation practice. GP and AA/JA were tax clients of Anthony's. In addition, AA/JA maintained an account with the Firm for which Anthony was the designated registered representative.
19. In Spring of 2010, during the preparation of GP's tax returns, GP informed Anthony that she was upset that she was no longer receiving interest on an investment purchased by her late husband, which investment had matured, and that she was not satisfied with the interest rates then offered on bank certificates of deposit. GP asked Anthony if he knew of other investment opportunities that

had high returns. In response, Anthony shared with GP information about Integrity Capital.

20. Based on GP's discussions with Anthony, on or about April 26, 2010, GP invested \$100,000 in Integrity Capital, LCC.

21. In Spring of 2010, during the preparation of AA/JA's taxes, AA/JA mentioned to Anthony that someone had proposed that they take the proceeds from the sale of their business and that they invest them in an annuity. AA/JA informed Anthony that they did not like the penalty provisions associated with annuities. In response, Anthony shared with AA/JA information about Integrity Capital.

22. Based on AA/JA's discussions with Anthony, on or about March 23, 2010, AA/JA invested \$300,000 in Integrity Capital, LLC.

23. Anthony facilitated the sale of the Integrity Promissory Note to GP by, among other things, introducing the Integrity Promissory Note to GP, explaining Integrity Capital, LLC's business to GP, explaining the Investment Promissory Note provisions, contacting Integrity Capital, LLC to have a specific Integrity Promissory Note drafted for GP, providing GP the Investment Promissory Note, mailing GP's signed Integrity Promissory Note for GP to Integrity Capital, LLC, and providing wiring information to GP so that she could wire the investment funds to Integrity Capital, LLC.

24. Anthony facilitated the sale of the Integrity Promissory Note to AA/JA by, among other things, introducing the Integrity Promissory Note to AA/JA, explaining Integrity Capital, LLC's business to AA/JA, explaining the Investment Promissory

Notes provisions, providing AA/JA a specific Security Agreement and Integrity Promissory Note drafted for AA/JA, and providing wiring information to AA/JA so that they could wire the investment funds to Integrity Capital, LLC.

25. Subsequent to both GP and AA/JA's investments, in the Fourth Quarter of 2011 and/or First Quarter of 2012, Integrity Capital, LLC defaulted on the interest accrual and/or payments pursuant to the Integrity Promissory Notes. Currently, neither GP nor AA/JA are receiving interest accrual and/or payments on their Integrity Promissory Notes. Further, despite Integrity Capital, LLC's default, neither GP nor AA/JA have had their principal investment amounts returned to them.

26. Anthony failed to provide his Firm any written notice of his intention to participate in the sales of the Integrity Promissory Notes by introducing, discussing, and referring GP and AA/JA to Integrity Capital, which led to GP and AA/JA's purchase of Integrity Promissory Notes. He also failed to obtain written approval from the Firm for such conduct. Anthony's actions violated NASD Conduct Rule 3040 and FINRA Rule 2010.

27. Anthony understood that he could apply to Integrity for a commission of 1-2% of the amount invested by Integrity Promissory Note purchasers he referred to Integrity.

28. As a result of the foregoing conduct, Respondent Anthony violated NASD Conduct Rule 3040 and FINRA Rule 2010.

SECOND CAUSE OF ACTION

(NASD Conduct Rule 2310 and FINRA Rule 2010 – Unsuitable Recommendation)

29. On or about April 26, 2010, at Anthony's recommendation, which involved introducing, discussing, and referring GP to Integrity Capital, GP invested \$100,000 in Integrity Capital.
30. Respondent Anthony did not have reasonable grounds to believe that the recommendation was suitable on the basis of the customer's other securities holdings, financial situation and needs.
31. Anthony knew that GP was in her late 60s, was retired, a widow with limited investment experience and limited means, and that she was relying on income from the Integrity Promissory Note to cover her various bills and other living expenses.
32. The \$100,000 constituted approximately 56.5% of GP's liquid net worth, such that the investment in the Integrity Promissory Note resulted in an unsuitable overconcentration of her liquid assets.
33. GP's concentrated position in Integrity exposed her to a risk of loss that exceeded her risk tolerance and investment objectives. Integrity defaulted on the Promissory Note held by GP in the Fourth Quarter of 2011 and/or First Quarter of 2012. GP is not currently receiving interest payments and her \$100,000 principal investment has not been returned to her.
34. Anthony failed to recognize that GP's investment in Integrity was an overconcentration of her financial holdings.

35. As a result of the foregoing conduct, Respondent Anthony violated NASD Conduct Rule 2310 and FINRA Rule 2010.

Based on the foregoing, Respondent David D. Anthony violated NASD Conduct Rules 2310 and 3040 and FINRA Rule 2010.

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 suspended in all capacities for six months with any FINRA member firm and receive a deferred fine of \$7,500. The fine shall be due and payable either immediately upon reassociation with a member firm following the six month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

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



Sarah B. Belter, Senior Regional Counsel
FINRA Department of Enforcement

1100 Poydras Street

Energy Centre, Suite 850

New Orleans, LA 70163-1108

Phone: (504) 522-6527 Fax: (504) 522-4077