

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

EDWARD SCRO
(CRD No. 2321985),

Respondent.

Disciplinary Proceeding
No. 2010022246101

Hearing Officer – LOM

DEFAULT DECISION

August 16, 2013

Respondent violated NASD Conduct Rules 2310(a) and 2110 when he made unsuitable recommendations of high risk, illiquid investments to elderly, unsophisticated customers seeking reliable, steady monthly income for living expenses, and when, moreover, he recommended a heavy concentration in such securities, which themselves were heavily concentrated in real estate. Respondent is barred from associating with any FINRA registered firm in any capacity for this misconduct (First Cause of Action).

Respondent separately violated NASD Conduct Rule 2110 by misrepresenting his academic credentials. The use of false and misleading credentials inspired customers to trust Respondent. Respondent would be suspended for one year for this misconduct (Second Cause of Action), but the sanction is not imposed in light of the two separate bars.

Respondent separately violated FINRA Rules 8210 and 2010 by failing to provide information and documents requested by FINRA staff pursuant to Rule 8210. Respondent is separately barred from associating with any FINRA registered firm in any capacity for this violation (Third Cause of Action).

Appearances

Jessica Dennehy and Jon Batterman, Jericho, New York, for the Department of Enforcement.

No appearance on behalf of Edward Scro.

I. Introduction

The Respondent, Edward Scro ("Respondent" or "Scro"), failed to answer a Complaint filed and served on him by the Department of Enforcement ("Enforcement") for the Financial Industry Regulatory Authority ("FINRA").¹ As a consequence, Enforcement filed a Motion For Entry Of Default Decision And Imposition Of Sanctions ("Default Motion"). The Default Motion is accompanied by a Declaration In Support Of Motion For Entry Of Default Decision ("Declaration") in which Jessica Dennehy, an Enforcement attorney licensed in the State of New York, describes the evidence underlying the Default Motion. The Declaration is also supported by extensive factual documentation in the form of attached exhibits (CX-1 through CX-61).

The Default Motion details Enforcement's two efforts to serve Respondent with the Complaint at what was his residential address as shown in the Central Registry Depository ("CRD") in 2011 during the FINRA staff's investigation, an alternative address the staff discovered through research, and a more recent CRD address that was added to Respondent's CRD record in early 2012. The Declaration reports that Enforcement served the Complaint and Notice of Complaint at the three addresses by certified mail, return receipt requested, and first-class mail. Some of the mailings were returned; others were not. Respondent never served an Answer.

¹ FINRA, which is responsible for regulatory oversight of securities firms that do business with the public and their associated persons, was formed in July 2007 by the consolidation of NASD and the regulatory arm of the New York Stock Exchange ("NYSE"). FINRA is developing a new "Consolidated Rulebook" of FINRA Rules that includes NASD Rules. The first phase of the new consolidated rules became effective on December 15, 2008. See FINRA Regulatory Notice 08-57 (Oct. 2008). Because the Complaint in this case was filed after December 15, 2008, FINRA's procedural rules apply. The conduct rules that apply are those that existed at the time of the conduct at issue. FINRA's Rules (including NASD Rules) and its By-Laws are available at www.finra.org.

The Default Motion attaches the Complaint and, pursuant to FINRA Rule 9269, seeks to have its allegations deemed admitted. The Declaration and its attached exhibits provide further undisputed evidence in support of the Default Motion.

The Complaint alleges in the First Cause of Action that Scro made unsuitable recommendations to identified customers (two individuals and a married couple), some of whom he met at free dinner seminars that he hosted for elderly, retired persons. According to the Complaint and the Declaration, the customers were in their 60s and 70s and retired. They were not sophisticated investors. They had savings but were living on relatively modest monthly incomes of \$20,000 to \$80,000 a year. Their incomes mainly consisted of pensions, social security, and interest from their investments. At Scro's recommendation, the customers liquidated their previous investments in bonds, mutual funds, stocks, and annuities, to purchase risky, illiquid investments that were only suitable for long-term investors with a high tolerance for risk. The investments Scro recommended were offered in private placements, and there was little or no public market for them if the customers should want to re-sell them. Moreover, the promissory notes Scro recommended were highly concentrated in speculative real estate investments, and Scro recommended a high concentration of such investments for the customers' portfolios. The First Cause of Action charges that Scro's unsuitable recommendations violated NASD Conduct Rules 2310(a) and 2110.

The Complaint alleges in the Second Cause of Action that Scro distributed to his customers and potential customers a business card that falsely represented that he had a Master of Business Administration degree ("MBA") when he did not. The Complaint charges that this conduct violated NASD Conduct Rule 2110.

Finally, the Complaint alleges in the Third Cause of Action that Scro failed to provide documents and information FINRA staff requested pursuant to FINRA Rule 8210. The Complaint charges that this failure to cooperate in the investigation violated FINRA Rules 8210 and 2010.

For the reasons set forth below and pursuant to authority granted by FINRA Rule 9269(a), the Hearing Officer finds Respondent in default, grants Enforcement's Default Motion, and deems the allegations against Respondent admitted. On that basis and the undisputed evidence provided by the Declaration and attached exhibits, the Hearing Officer also issues this Decision barring Respondent from associating with any FINRA member firm in any capacity as a separate sanction for each of the First and Third Causes of Action. The Hearing Officer would suspend Respondent from associating with any FINRA member firm in any capacity for one year as a sanction for the violation found in the Second Cause of Action. However, in light of the bars imposed for the other violations, the suspension is not imposed.

II. Procedural History And Grant Of Default Motion

On April 24, 2013, Enforcement served the Notice of Complaint and Complaint on Scro by certified mail, return receipt requested, and first-class mail to all three mailing addresses that Enforcement had for him: his residential address in the CRD at the time of the investigation in 2011, the alternate address Enforcement discovered in internet research, and the newer CRD address added to Scro's CRD on January 18, 2012. The alternate address and the newer CRD address were identical except for the zip code. The papers sent by certified mail and first-class mail to Scro's original CRD Address were returned to Enforcement as undeliverable. None of the other mailings was returned to Enforcement. Nor has Enforcement received the return receipts related to the mailings sent by certified mail to the alternate address or the newer CRD

address. According to the U.S. Postal Service website, the packages sent by certified mail to the alternative address and the newer CRD address are unclaimed.²

The Notice of Complaint specified May 22, 2013, as the deadline for filing an Answer. Respondent failed to file an Answer within that time.³

Enforcement served a Second Notice of Complaint, accompanied by the Complaint, on May 24, 2013, by certified mail, return receipt requested, and first-class mail to all three mailing addresses. As before, the packages sent to Scro's original CRD address were returned. The packages sent to the alternate address and the newer CRD address were not returned and Enforcement has not received the return receipts related to the packages sent by certified mail to those addresses.⁴

The Second Notice of Complaint specified June 10, 2013, as the deadline for filing an Answer. Respondent failed to file an Answer within that time.⁵

As of the date of the Default Motion, July 9, 2013, Scro had not filed an Answer.⁶ As of the date of this decision, Scro still has not filed an Answer with the Office of Hearing Officers.

Service here was valid under FINRA Procedural Rule 9134 because Enforcement served Scro by certified mail at the residential address reflected in the CRD, both the CRD address at the time of the investigation and the newer CRD address in effect at the time of service and filing of the Complaint. Furthermore, Enforcement served the Complaint at an alternative residential address that Enforcement believed might be more correct. Pursuant to FINRA Rules 9215(f) and

² Declaration at ¶¶ 86-91; CX-5 (Form U5 from web CRD, NelsonReid, at 1-2), CX-37 (Form U6 from CRD at 1), CX-53 (Notice of Complaint), CX 54 (composite information from web CRD). The alternative address and the newer CRD address are identical except for the zip code. Declaration at n.2.

³ Declaration at ¶¶ 92-93; CX-53 (Notice of Complaint).

⁴ Declaration at ¶¶ 94-100; CX-59 (certified mail return receipt for package sent to original CRD address).

⁵ Declaration ¶¶ 101-102; CX-58 (second notice of complaint).

⁶ *Id.* at ¶ 103.

9269(a) and based on Scro's failure to file an Answer, the Hearing Officer grants Enforcement's Default Motion, finds Scro in default, and deems the allegations in the attached Complaint admitted.

III. Findings Of Fact And Conclusions Of Law As To Underlying Violations

A. Scro's Background And Position

The Complaint alleges that Scro made unsuitable recommendations from June 2007 through August 2008. During most of this period, Scro was registered with FINRA member firm Alternative Wealth Strategies ("AWS"). In early June 2008, he voluntarily terminated his employment with AWS and immediately became registered with FINRA member firm Workman Securities Corp. ("Workman").⁷ He conducted his investment business through a "doing business as" ("DBA") entity called Seniors Resource. That business focused on the senior citizen community of Long Island. Scro subscribed to services that would identify seniors within certain geographic locations, whom he then invited to attend free dinner seminars. Scro met some of the customers identified in the Complaint at one of his free dinner seminars.⁸

Scro is no longer registered or associated with a FINRA member. On May 2, 2011, his last FINRA member employer filed a Form U5 indicating that he voluntarily terminated his employment on April 29, 2011.⁹

B. Jurisdiction

FINRA has jurisdiction over Scro in this disciplinary proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws. The Complaint was filed on April 24, 2013, which was within

⁷ Complaint ¶ 2; CX-1 (Form U4 from web CRD). Scro first became registered as a General Securities Representative in 1993. He was with AWS from January 3, 2007, through June 6, 2008. He joined Workman on June 9, 2008. Complaint at ¶ 2.

⁸ Declaration at ¶¶ 5-6, 9-12; CX-6 (Complaint at ¶ 2), CX-7 (excerpt from Scro's OTR interview), CX-8 (statement of claim in arbitration), CX-29 (statement of claim in arbitration).

⁹ Declaration ¶¶ 7-8; CX-5 (Form U5 from web CRD, NelsonReid, at 1-2).

two years after the last date on which Scro was registered, and the Complaint charges him with misconduct that occurred between June 2007 and August 2008, while he was registered with FINRA member firms AWS and Workman.¹⁰

C. Rules Alleged To Have Been Violated

NASD Conduct Rule 2310. At the time Scro made unsuitable recommendations, NASD Conduct Rule 2310 (now FINRA Rule 2111) was in effect.¹¹ NASD Conduct Rule 2310 requires that a registered representative who makes a recommendation for a securities transaction have “reasonable grounds” for believing that the recommendation is suitable for the customer. The Rule provides that the “reasonable grounds” be developed “upon the basis of the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs.” The suitability rule requires that a recommendation be in the customer’s best interests, taking into account the particulars of the customer’s financial status and investment objectives¹² and the nature and risk of the investment being recommended.¹³ A broker violates the Rule if the broker lacks reasonable grounds for believing that the recommendation of a particular security or the recommendation of a change in investments was suitable for a

¹⁰ Declaration ¶¶ 5-10; CX-2, CX-4 (Form U5 from web CRD, Workman), CX-5 (Form U5 from web CRD, AWS), CX-6 (Complaint at ¶ 2), CX-7 (excerpt from Scro’s OTR interview). See Article V, Sec. 4(a), FINRA By-Laws, available at www.finra.org (then follow “FINRA Manual” hyperlink to “Corporate Organization: By-Laws”).

¹¹ NASD Rule 2310 has been superseded by FINRA Rule 2111, but NASD Rule 2310 is available on FINRA’s website under “Retired NASD Rules.”

¹² *Scott Epstein*, Exchange Act Rel. No. 59328, 2009 SEC LEXIS 217, at *40 n.24 (Jan. 30, 2009) (“In interpreting the suitability rule, we have stated that a [broker’s] ‘recommendations must be consistent with his customer’s best interests.’”); *Raghavan Sathianathan*, Exchange Act Rel. No. 54722, 2006 SEC LEXIS 2572, at *21 (Nov. 8, 2006) (“[A] broker’s recommendations must be consistent with his customers’ best interests.”); *Dep’t of Enforcement v Bendtsen*, No. C01020025, 2004 NASD Discip. LEXIS 13, at *12 (NAC Aug. 9, 2004) (a recommendation should “serve [the] client’s best interests” and be “consistent with the client’s financial situation and needs”).

¹³ This reasonable diligence as to the recommended security is sometimes referred to as “reasonable-basis” suitability. *Richard G. Cody*, Exchange Act Rel. No. 64565, 2011 SEC LEXIS 1862, at *26-32 (May 27, 2011). *aff’d*, 693 F.3d 251, 2012 U.S. App. LEXIS 18914 (1st Cir. Sept. 7, 2012). See also *Hanly v. SEC*, 415 F.2d 589, 595-596 (2d Cir. 1969); *Dep’t of Enforcement v. Siegel*, No. C05020055, 2007 NASD Discip. LEXIS 20, at *38 (NAC May 11, 2007).

customer, or if the broker fails to obtain information concerning the suitability of the recommendation before executing the transaction.¹⁴

FINRA Rule 8210. At the time that Scro failed to respond to the FINRA staff's requests for information and documents in connection with the investigation of Scro's conduct, FINRA Rule 8210 applied. FINRA Rule 8210 requires FINRA members and their associated persons "to provide information orally, in writing, or electronically" in connection with any investigation. This Rule is crucial to FINRA's ability to oversee and regulate broker-dealers because FINRA does not have subpoena power.¹⁵ Instead, FINRA must depend on member firms and their associated persons to cooperate fully and promptly with requests for information pursuant to Rule 8210.¹⁶ A failure to respond promptly and completely to such information requests frustrates FINRA's ability to detect misconduct and protect investors and markets.¹⁷

NASD Conduct Rule 2110 and FINRA Rule 2010. At the time Scro made unsuitable recommendations, NASD Conduct Rule 2110 was in effect. At the time that Scro failed to cooperate with FINRA staff who asked him for documents and information pursuant to FINRA Rule 8210, FINRA Rule 2010 had superseded the NASD Rule.¹⁸ The two Rules contain

¹⁴ *Cody*, 2011 SEC LEXIS 1862, *26-32.

¹⁵ See, e.g., *Dep't of Enforcement v. Valentino*, No. FP1010004, 2003 NASD Discip. LEXIS 15, at *12 (NAC May 21, 2003), *aff'd*, 2004 SEC LEXIS 330 (Feb. 13, 2004) ("It is well established that because NASD [FINRA's predecessor] lacks subpoena power over its members, a failure to provide information fully and promptly undermines NASD's ability to carry out its regulatory mandate.") (citation omitted); *Joseph G. Chiulli*, 54 S.E.C. 515, 2000 SEC LEXIS 112, at *16 (Jan. 28, 2000) (noting that Rule 8210 provides a means for FINRA to effectively conduct its investigations, and emphasizing that FINRA members and associated persons must fully cooperate with requests for information). See also *Morton Bruce Erenstein*, 316 Fed. App'x. 865, 871, 2008 U.S. App. LEXIS 19746, at *13 (11th Cir. Sept. 16, 2008) ("[I]t is critically important to the self-regulatory system that members and associated persons cooperate with NASD investigations, especially because the NASD lacks subpoena power."); *Robert Fitzpatrick*, 55 S.E.C. 419, 2001 SEC LEXIS 2185, at *11-12 (Oct. 19, 2001).

¹⁶ *PAZ Sec., Inc.*, 2008 SEC LEXIS 820, at *13 (Apr. 11, 2008), *petition for review denied sub nom. Paz Sec. v. SEC*, 566 F.3d 1172, 2009 U.S. App. LEXIS 11500 (D.C. Cir. May 29, 2009).

¹⁷ See *CMG Inst. Trading, LLC*, Exchange Act Rel. No. 59325, 2009 SEC LEXIS 215, at *30 (Jan. 30, 2009); *Stephen J. Gluckman*, 54 S.E.C. 175, 1999 SEC LEXIS 1395, at *22 (July 20, 1999).

¹⁸ FINRA Rule 2010 superseded NASD Conduct Rule 2110 on December 15, 2008. See note 1 above.

identical language requiring the observance of “high standards of commercial honor and just and equitable principles of trade.” Sometimes these are referred to as the “J&E” Rule, which refers to just and equitable principles of trade.¹⁹ The J&E Rule applies to all business-related conduct and is a broad prohibition against unlawful, unfair and unethical activities.²⁰ The Rule “serve[s] as an industry backstop for the representation, inherent in the relationship between a securities professional and a customer, that the customer will be dealt with fairly and in accordance with the standards of the profession.”²¹ Conduct can, standing alone, constitute a violation of the J&E Rule.²² It is also well-established that a violation of other NASD or FINRA Rules is inconsistent with the “high standards” required by the J&E Rule (NASD Conduct Rule 2110 prior to December 15, 2008, and FINRA Rule 2010 going forward).²³ Accordingly, a violation of NASD

¹⁹ *Thomas W. Heath, III*, Exchange Act Rel. No. 59223, 2009 SEC LEXIS 14, *9 (Jan. 9, 2009) (discussing New York Stock Exchange counterpart of the FINRA and NASD Rules), *aff’d*, 586 F.3d 122 (2d Cir. 2009), *cert. denied*, *Heath v. SEC*, 2010 U.S. LEXIS 3029 (Apr. 5, 2010).

²⁰ *Dep’t of Enforcement v. Trende*, No. 2007008935010, 2011 FINRA Discip. LEXIS 54, *11 and nn.12 & 13 (OHO Oct. 4, 2011).

See also Dep’t of Enforcement v. Brokaw, No. 2007007792902, 2012 FINRA Discip. LEXIS 53, at *45-46 (NAC Sept. 14, 2012); *Dep’t of Enforcement v. Gallagher*, No. 2008011701203, 2011 FINRA Discip. LEXIS 40, at *17-18 and n. 46 (OHO June 13, 2011) (“Rule 2110 is an ethical rule...FINRA’s authority to pursue disciplinary action for violations of Rule 2110 is sufficiently broad to encompass any unethical business-related misconduct, regardless of whether it involves a security.”), *aff’d*, 2012 FINRA Discip. LEXIS 15 (NAC Dec. 12, 2012); *Dep’t of Enforcement v. Mullins*, Nos. 20070094345, 20070111775, 2011 FINRA Discip. LEXIS 61, at *22 (NAC Feb. 24, 2011) (“FINRA’s disciplinary authority under NASD Rule 2110 is also broad enough to encompass business-related conduct that is inconsistent with just and equitable principles of trade, even if that activity does not involve a security.”) (internal citations and quotations omitted); *Dep’t of Enforcement v. DiFrancesco*, No. 2007009848801, 2010 FINRA Discip. LEXIS 37, at *16 n.11 (NAC Dec. 17, 2010) (citing cases) (“There is a long line of cases stating that a member can be disciplined for “business-related conduct” that violates NASD Rule 2110, even when the activity does not involve a security.”) *aff’d*; Exchange Act Rel. No. 66113, 2012 SEC LEXIS 54 (Jan. 6, 2012); *Dep’t of Enforcement v. Shvarts*, No. CAF980029, 2000 NASD Discip. LEXIS 6, at *12 (NAC June 2, 2000) (citing *Daniel Joseph Alderman*, 52 S.E.C. 366, 369 (1995), *aff’d*, 104 F.3d 285 (9th Cir. 1997)).

²¹ *Dep’t of Enforcement v. Hunt*, No. 2009018068701, 2012 FINRA Discip. LEXIS 62, at *9 (Dec. 18, 2012) (quoting *DiFrancesco*, 2012 SEC LEXIS 54, at *17) (citation omitted).

²² *Heath*, 2009 SEC LEXIS 14, at *13 n.9.

²³ *See Dep’t of Enforcement v. CMG Inst. Trading, LLC*, No. 2006006890801, 2010 FINRA Discip. LEXIS 7, at *3 n.2 (NAC May 3, 2010). *See also Dep’t of Enforcement v. Simbric*, No. 2011026168901, 2012 FINRA Discip. LEXIS 29, *11-13 (OHO Apr. 23, 2012); *Dep’t of Enforcement v. Pascucci*, No. 2010025751301, 2012 FINRA Discip. LEXIS 34, at *11 14 (OHO Apr. 13, 2012).

Rule 2310 or FINRA Rule 8210 is also a violation of the J&E Rule in effect at the time of the violation.²⁴

D. Conduct And Violations Found

1. First Cause Of Action – Unsuitable Recommendations²⁵

The First Cause of Action concerns unsuitable recommendations to identified customers (two individuals and a couple), all retired seniors in their late 60s to mid-70s who needed stable monthly income and who were not sophisticated investors: IB, AM, and a couple, MK and DK. The customers generally expressed investment objectives using the terms “balanced,” “moderate,” and “conservative.”

When they met Scro, the customers were mainly living on income from their pensions and social security benefits. IB, a retired airplane service representative, had a total joint income with his wife ranging from \$36,000 to \$65,000 a year. AM, a retired nurse and widow, was living off the interest on her investments and approximately \$20,000 per year in Social Security benefits. MK and DK had a joint annual income of \$80,000 a year, which consisted of Social Security income and a pension.

Through a lifetime of saving, the customers had accumulated liquid assets and IRA accounts. Prior to meeting Scro, IB’s liquid assets and IRA totaled \$630,000. On his New

²⁴ NASD Conduct Rule 2310: *Dep’t. of Enforcement v. Evans*, No. 2006005977901, 2011 FINRA Discip. LEXIS 36, at *22 (NAC Oct. 3, 2011) (“A violation of NASD Rule 2310 also constitutes a violation of NASD Rule 2110.”); *James B. Chase*, Exchange Act Rel. No. 47476, 2003 SEC LEXIS 566, at *21 n.28 (Mar. 10, 2003) (same); *Clinton Hugh Holland, Jr.*, Exchange Act Rel. No. 36621, 1995 SEC LEXIS 3452, at *12 n.20 (Dec. 21, 1995) (same), *petition for review denied*, 105 F.3d 665 (9th Cir. 1997) (Table).

FINRA Rule 8210: *See Gallagher*, 2012 FINRA Discip. LEXIS 61, at *11 n.9 (finding that respondent’s refusal to respond to request made pursuant to FINRA Rule 8210 violated FINRA Rule 2010); *Dep’t of Enforcement v. Reichman*, No. 200801201960, 2011 FINRA Discip. LEXIS 18, at *28-29 (NAC July 21, 2011) (same).

²⁵ Complaint ¶¶ 1, 4-41; Declaration ¶¶ 9-53. The details of Scro’s recommendations and the customers’ financial situation are fully set out in the Complaint and, as a result of Scro’s default, deemed true. The details are also laid out in the Declaration and accompanying exhibits. This decision summarizes the facts found in those materials, and incorporates by reference the cited provisions of the Complaint, which is attached, and the Declaration.

Account Forms at Scro's firm, AWS, IB listed his liquid net worth as between \$100,000 and \$499,999. On her New Account Form, AM listed her total net worth as \$500,000 to 999,000, and her liquid net worth as \$50,000 to \$99,999. On their New Account Form, MK and DK listed their total net worth as \$1,000,000 to \$2,499,999. They stated that their net worth was comprised of \$330,000 invested with Scro, \$100,000 in savings, \$200,000 in IRA accounts, and the value of their home.

At Scro's recommendation, all the customers invested in risky, illiquid investments. Most of the investments were sold by means of Private Placement Memoranda ("PPMs"). The PPMs and other offering documents expressly stated that the investments were speculative and risky and had no public market. They also stated that the investments were suitable only for long term investors or persons willing to hold the investment indefinitely. Some of the securities were subject to restrictions on transferability and resale.

Contrary to the warnings in the PPMs and other offering documents, Scro told the customers that he was recommending a strategy that would protect their principal, while earning a very high interest rate with little or no risk. The customers relied on Scro to explain the investments to them and did not read the PPMs or other offering documents. The customers did not understand that the investments were illiquid or risky.

Scro's recommendations to these customers were plainly unsuitable for them. The investments were far too risky and illiquid.

Not only were Scro's recommendations unsuitable because they were too risky and illiquid for these customers, he recommended an unsuitable level of concentration in real estate related investments. Almost all of the investments were real estate related.

For example, IB invested a total of \$424,000 in eight investments pursuant to Scro's recommendations. The eight investments included at least six that were real estate related: an investment in a tenancy in common for land in Georgia, a fund to purchase entities or hotels in New York City, a fund to invest in mortgage loans and other real estate assets, a company with the goal of owning public and private real estate related securities, a promissory note refinancing debt owed by real estate companies, and an LLC investing in large parcels of undeveloped land in Florida.²⁶

Similarly, Scro invested the widowed nurse's funds in a corporation that intended to acquire residential and commercial properties, a company that proposed to invest in mortgage loans and other real estate assets, and a REIT that invested in and managed a portfolio of real estate properties. The widow invested 51% of her assets in these illiquid investments, which was more than her liquid net worth as listed on her New Account Form.

Pursuant to Scro's recommendations, the elderly couple, MK and DK, invested in a promissory note that was used to refinance debt owed by certain real estate companies and a company that engaged in discount buying and selling of single family houses. In addition, he put the couple into speculative gas and oil investments. Some of the offering documents for these investments cautioned that investors could lose their entire investment. The illiquid investments made with Scro represented 62% of MK and DK's total investments. The remainder of their investments was not readily accessible to them because those investments were held in IRA accounts.

²⁶ Scro's recommendations to IB were unsuitable for another reason. Five of the private placement investments were held in an IRA account. The law applicable to IRA accounts mandates that once an IRA account holder reaches a certain age, he start making minimum withdrawals. IB was rapidly approaching the age at which he would be subject to mandatory minimum withdrawals. IB needed investments that could be readily liquidated in an orderly manner and that had a relatively steady value. Scro recommended instead investments that were highly speculative and illiquid. Complaint ¶ 23; CX-6, CX-9.

Scro plainly made unsuitable recommendations as alleged in the First Cause of Action. His conduct violated NASD Rules 2310 and 2110.

2. Second Cause Of Action – Use Of False And Misleading Credential²⁷

While he was with AWS, Scro used a business card that represented he had an MBA. He did not have an MBA. IB said that the credentials on Scro's business card made him trust Scro. MK and DK attended Scro's free dinner seminar, in part, because Scro's dinner invitation included his business card with the MBA designation.²⁸

Scro plainly committed the violation alleged in Second Cause of Action. His use of the false and misleading academic credential on his business card was inconsistent with the high standards of commercial honor required by the J&E Rule that was in effect at the time, NASD Rule 2110.

3. Third Cause Of Action – Failure To Provide Documents And Information Requested Pursuant To FINRA Rule 8210.²⁹

Five different times, FINRA staff sent Scro a letter requesting copies of any presentation material he used, any business cards, and certain personal bank statements. The first three letters were sent to Scro's CRD address at the time of the investigation. In addition, the second and third letters were sent to an email address that Scro provided during his on-the-record testimony ("OTR"). The fourth letter was sent to an alternative address that the staff had discovered

²⁷ Complaint ¶¶ 42-48; Declaration ¶¶ 54-63. The details are fully set forth in the Complaint and Declaration and are incorporated by reference here.

²⁸ In 2010, after the misconduct in issue here, Scro ostensibly acquired an MBA through an online website without faculty or staff that operated from a post office box. The degree was awarded for Scro's "life experience" after he provided background information and \$480. The university that purportedly awarded the degree is not accredited by any agency recognized by the United States Department of Education or Council on Higher Education Accreditation.

²⁹ Complaint ¶¶ 49-55; Declaration ¶¶ 64-85. The details are fully set forth in the Complaint and Declaration and are incorporated by reference here.

through an electronic search, as well as the email address. The staff sent the fifth letter requesting information to Scro's CRD address and the alternative address, as well as the email address. Scro did not respond to any of these inquiries.

Scro plainly committed the violation alleged in Third Cause of Action. His refusal to cooperate with the FINRA staff's investigation violated FINRA Rule 8210 and the J&E Rule then in effect, FINRA Rule 2010.

IV. Sanctions

FINRA's Sanction Guidelines ("Sanction Guidelines") provide the guideposts for sanctions in FINRA disciplinary proceedings.³⁰ The Sanction Guidelines set forth recommendations regarding sanctions for violations of specific violations. The Sanction Guidelines also instruct adjudicators to consult the Principal Considerations applicable to all determinations of sanctions,³¹ and the General Principles for all sanction determinations.³² The Overview to the Sanction Guidelines expresses the overarching purpose of FINRA's disciplinary actions and the objectives served by sanctions where violations are found:

The regulatory mission of FINRA is to protect investors and strengthen market integrity through vigorous, even-handed and cost-effective self-regulation. . . . As part of FINRA's regulatory mission, it must stand ready to discipline member firms and their associated persons by imposing sanctions when necessary and appropriate to protect investors . . . and to promote the public interest.³³

³⁰ FINRA Sanction Guidelines (2011) are available at www.finra.org/SanctionGuidelines.

³¹ Sanction Guidelines at 1, 88, 90.

³² Sanction Guidelines at 2-5.

³³ Sanction Guidelines at 1.

A. First Cause Of Action

With respect to unsuitable recommendations in violation of NASD Rule 2310 and the J&E Rule, the Sanction Guidelines suggest that a fine of \$2,500 to \$75,000 may be imposed. They also suggest that the fine may be increased by the amount of the respondent's financial benefit. In addition, the respondent may be suspended in any or all capacities from ten days to one year. In egregious cases, an adjudicator may consider it appropriate to impose a longer suspension or a bar.³⁴

Scro's misconduct was egregious and merits the most stringent sanction. In making that determination, various aggravating factors are relevant. First, Scro engaged in many acts of misconduct, and his acts constituted a pattern, not an aberration. Scro made a practice of targeting the elderly in a specific locale.³⁵ Second, the misconduct was intentional, not a mistake in judgment. Scro targeted elderly, unsophisticated investors who were vulnerable and trusting.³⁶ Third, the misconduct extended over a period of time, more than a year, while Scro was at two firms.³⁷ Fourth, the customers were injured by his actions, and the injury was substantial from the customers' perspective. They lost money that they could ill-afford to lose.³⁸ Fifth, even though the customers obtained arbitration awards against Scro, he has never paid the awards

³⁴ Sanction Guidelines at 94 and n.2.

³⁵ Sanction Guidelines at 6 (Principal Consideration 8 (numerous acts and/or a pattern of misconduct)).

³⁶ Sanction Guidelines at 7 (Principal Consideration 13 (intentional acts), Principal Consideration 19 (unsophisticated customers)).

³⁷ Sanction Guidelines at 6 (Principal Consideration 9 (misconduct over extended period of time)).

³⁸ Sanction Guidelines at 6 (Principal Consideration 11 (nature and extent of injury inflicted by misconduct)).

against him.³⁹ Thus, it is apparent that he has no concern for the best interest of his customers or for his obligation to comply with regulatory requirements.⁴⁰

For violating NASD Rules 2310 and 2110, a bar from association with any FINRA member firm in any capacity is warranted.

B. Second Cause Of Action

As discussed above, the J&E Rule requires adherence to high standards of commercial honor. Conduct does not have to be unlawful or in violation of some other NASD or FINRA Rule in order to be prohibited by the J&E Rule. Purposely distributing business cards with false credentials falls far short of the high standards of commercial honor required by the J&E Rule. The fact that the false credentials influenced some customers demonstrates why it is important to be scrupulous in presenting one's qualifications.

The Hearing Officer would impose a suspension for one year for violating the J&E Rule in this way. In light of the bars imposed for the other violations, however, the lesser sanction is not imposed.

C. Third Cause Of Action

Where an individual fails to respond in any manner to a request for information, documents, or testimony pursuant to FINRA Rule 8210, the Sanction Guidelines recommend a bar. The Sanction Guidelines describe this sanction as the "standard" sanction for such a failure to respond.⁴¹ The Sanction Guidelines also suggest a fine ranging from \$25,000 to \$50,000. Partial responses and untimely responses may lead to a lesser sanction, but in this case that

³⁹ All of the customers filed claims in FINRA arbitration against Scro after they lost money on the investments he had recommended. All of them received awards. Scro has not satisfied any of the awards and, as a consequence, has been suspended pursuant to FINRA Rule 9554.

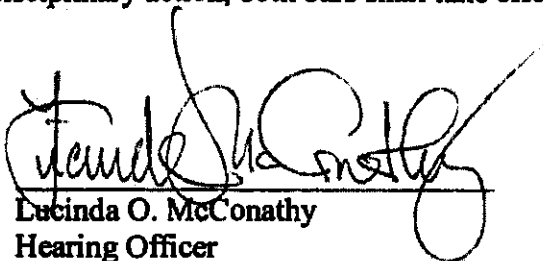
⁴⁰ Sanction Guidelines at 6 (Principal Consideration 2 (lack of acceptance of responsibility), Principal Consideration 4 (lack of attempt to remedy misconduct)).

⁴¹ Sanction Guidelines at 33.

analysis is unnecessary.⁴² Scro failed to respond in any manner to the staff's written requests for information and documents in violation of FINRA Rules 8210 and 2010. Accordingly, it is appropriate to bar Scro from the industry.

V. Order

For making unsuitable recommendations, as alleged in the First Cause of Action, in violation of NASD Rules 2310 and 2110, Respondent is barred from associating with any member firm in any capacity. For using false credentials to solicit customers, as alleged in the Second Cause of Action, Respondent would be suspended for one year. However, because of the bars imposed for the other violations, this sanction is not imposed. For failing to cooperate with the FINRA staff in the investigation, in violation of FINRA Rules 8210 and 2010, as alleged in the Third Cause of Action, Respondent is barred from associating with any member firm in any capacity. If this decision becomes FINRA's final disciplinary action, both bars shall take effect immediately.



Lucinda O. McConathy
Hearing Officer

Copies to:

Edward Francis Scro (via overnight courier and first-class mail)
Jon Batterman, Esq. (via electronic and first-class mail)
Jessica A. Dennehy, Esq. (via electronic and first-class mail)
David M. Jaffe, Esq. (via electronic mail)
Jeffrey D. Pariser, Esq. (via electronic mail)

⁴² *Id.*

FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Edward Scro (CRD No. 2321985)

Respondent.

DISCIPLINARY PROCEEDING
No. 2010022246101

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Between June 2007 and August 2008, Edward Scro ("Scro") recommended that three of his customers, all retired seniors, invest in an unsuitable overconcentration of illiquid investments in violation of NASD Conduct Rules 2310(a) and 2110. From January 3, 2007 through June 6, 2008, Scro also utilized a misleading academic designation in violation of NASD Conduct Rule 2110. Additionally, he failed to respond to several requests for information in violation of FINRA Rules 8210 and 2010.

RESPONDENT AND JURISDICTION

2. Scro first became registered as a General Securities Representative ("GSR") in or about February 1993 through his association with a FINRA member. From January 3, 2007 through June 6, 2008, Scro was registered with Alternative Wealth Solutions ("AWS"), a FINRA member. From June 9, 2008 through March 16, 2010, Scro was

registered with Workman Securities Corp. ("Workman"), a FINRA member. On May 2, 2011, Scro's last FINRA member employer filed a Uniform Termination Notice for Securities Industry Registration.

3. Although Scro 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 his last employer firm and (2) the Complaint charges Respondent with misconduct committed while he was registered or associated with a FINRA member.

FACTS COMMON TO ALL CAUSES OF ACTION

4. During the relevant time periods, Scro was registered with AWS, and subsequently Workman, but conducted his investment business through a "doing business as ("DBA")" entity called Seniors Resource.
5. Scro's business focused on the senior citizen community of Long Island. He subscribed to services that would identify seniors within certain geographic locations and then sent invitations to the individuals for free dinner seminars.
6. Two of the three customers discussed herein met Scro through one of his free dinner seminars.

FIRST CAUSE OF ACTION
Unsuitable Recommendations
(NASD Conduct Rules 2310(a) and 2110)

Customer IB

7. IB met Scro in approximately 2006 at a free dinner seminar that Scro hosted. At the time, IB was 74 years old and a retired airplane service representative.
8. IB had accumulated approximately \$430,000 in liquid assets and \$200,000 in an IRA by saving throughout his career. IB had an annual income of approximately \$50,000, which consisted of his pension, social security benefits, and \$5,000-\$6,000 worth of income from free-lance airplane repairs. More specifically, IB and his wife had total joint income of approximately \$65,000 for 2008 and \$36,000 for 2009. IB's main objective for his account was to receive income on which he could live.
9. IB's New Account Forms at AWS, dated December 13, 2007 showed that he had an annual income of between \$50,000 and \$99,999 and liquid net worth between \$100,000 and \$499,999. IB was listed as a "Moderate" investor with an investment objective of "Growth."
10. At Scro's recommendation, IB liquidated all of his previous investments in bonds, mutual funds, stocks and annuities and provided them to Scro to invest. IB also liquidated half of his IRA and gave that money, approximately \$100,000, to Scro to invest.
11. IB was not a sophisticated investor. He relied on Scro to recommend investments that were suitable based upon IB's investment objective and the needs he conveyed to Scro.

12. Scro recommended that IB invest a total of \$424,000, through AWS, from December 2007 through March 2008 in the following illiquid investments:

- a. On December 14, 2007, IB invested \$50,000 in DBSI New Hampstead LLC ("DBSI New Hampstead") based on Scro's recommendation. The Private Placement Memo ("PPM") indicated the offering was a tenancy in common for land in Georgia. The PPM stated that the investment was highly speculative, illiquid, and not diversified.
- b. On December 14, 2007, IB invested \$50,000 in Gemini NY Hospitality ("Gemini") based on Scro's recommendation. The purpose of the fund was to purchase entities or hotels in New York City. The PPM stated that the investment was highly speculative, that there was no public market for the shares and that the investor was required to bear the financial risks of the investment for an indefinite period of time.
- c. On December 14, 2007, IB invested \$24,000 in United Development Funding III ("United Development") based on Scro's recommendation. The purpose of the investment was to invest in mortgage loans and other real estate assets. The PPM stated that the investment had a high degree of risk, had no public market, and lacked liquidity. It also stated that the investment was only suitable for long-term investors.
- d. On December 14, 2007, IB invested \$50,000 in MPF Senior Note II ("MPF") that matures in 2013, based on Scro's recommendation. The investment was for a six-year senior note with 9% interest. The company's goal was to own public and private real estate-related securities. The PPM stated that the

securities were speculative, had no public market, and purchasers were likely to bear the financial risks of the notes until maturity.

- e. On December 14, 2007, IB invested \$50,000 in Ethanol Capital Partners Series O ("Ethanol"), based on Scro's recommendation. The investment proceeds were going to be used to make equity investments in ethanol production plants. The PPM stated that the investment had a high degree of risk, was illiquid and had a 7 year holding period.
- f. On December 11, 2007, IB invested \$50,000 in Reardon Opportunity Investments Capital Investment II ("ROI II"). This investment was a 15% promissory note and, according to the PPM, the proceeds will be used to refinance debt owed by Reardon-affiliated real estate companies and other expenses related to the zoning of properties. The PPM stated that this investment involved a high degree of risk, that the securities were subject to restrictions on transferability and resale and that the investor was required to bear the financial risks of this investment for an indefinite period of time.
- g. On January 14, 2008, IB invested \$100,000 in Hernando Investors LLC ("Hernando"). The PPM indicated this offering invested in two large parcels of undeveloped land in Florida and stated that the investment was speculative, non-liquid and involved a high degree of risk.
- h. On March 18, 2008, IB invested \$50,000 in DBSI 2008 Notes Corporation ("DBSI Note"). This investment was a 9.5% corporate note that was due December 31, 2015. The PPM stated that the note was illiquid, had limited transferability, and involved a high risk of loss of capital.

13. At Scro's direction, IB signed an Illiquid Security/Investment Purchase form for each private placement, which stated that the investments were not liquid and that he was prepared to hold the investments for the duration.
14. IB relied on Scro to explain the products to him. He did not understand the investment documentation or that the investments were illiquid or risky.
15. These illiquid private placements represented approximately 67% of IB's total portfolio.
16. The investments Scro recommended were not suitable for IB, a retired senior citizen who needed income to pay his and his wife's monthly expenses. Recommending that IB have such a large percentage of his liquid net worth concentrated in illiquid and high risk investments was not suitable. In addition, these illiquid investments were not diversified because a majority of Scro's recommendations had IB invested in real estate.
17. Moreover, five of the private placement investments, DBSI, Ethanol, Gemini, MPF and United Development, were held in an IRA account. Since the investments were highly speculative, illiquid, and did not guarantee a return, it was unsuitable for Scro to recommend them to be placed in IB's IRA account, especially since IB's age would require him to make minimum withdrawals from his IRA account every year.
18. Scro's recommendations were not suitable for IB.
19. On or about June 24, 2011, IB filed a FINRA Arbitration claim against Scro for the conduct described above. As a result of that action, IB was awarded \$901,750 in damages in February 2012. To date, Scro has not satisfied the judgment as required.

Customer AM

20. In or about June 2007, AM became an AWS customer. She was a retired nurse and widow, approaching her 69th birthday.
21. According to AM's New Account Form at AWS, dated June 11, 2007, AM was a "Conservative" and "Moderate" investor, her total net worth was listed as \$500,000 to \$999,999 and her liquid net worth was listed as \$50,000 to \$99,999. AM's main objective for the account was to live off the interest while preserving the principal for her children. At the time her account was opened, AM's only other source of income was Social Security of approximately \$20,000 per year.
22. AM was not a sophisticated investor. She relied on Scro to make recommendations that were consistent with her investment objectives.
23. Based on Scro's recommendations, AM invested as follows:
 - a. On June 11, 2007, AM invested \$34,000 in Lightstone Value Plus REIT. The prospectus stated that the offering was for common stock of Lightstone Value Plus REIT, which was a corporation that intended to acquire residential and commercial properties, principally in the United States. The prospectus also stated that the investment involved a high degree of risk, that there was no public market for the shares and that an investor should only participate if they can afford a complete loss of the investment. It also stated that the investment is not appropriate for an investor unless they are willing to retain the shares for 7 to 10 years.

- b. On June 11, 2007, AM invested \$33,000 in a United Development private placement. The purpose of the investment was to invest in mortgage loans and other real estate assets. The PPM stated that the investment had a high degree of risk, had no public market and lacked liquidity. It also stated that the investment was only suitable for long-term investors.
- c. On June 11, 2007, AM invested \$10,790 in IRA funds held through a KBS REIT. The prospectus stated that the offering was for common stock of KBS REIT, which is a corporation that invested in and managed a diverse portfolio of real estate properties and real estate-related investments. It stated that the investment involved a high degree of risk and should only be purchased if the investor can afford a complete loss of the investment. The prospectus also stated that the shares are only suitable for long-term investment and investors will have difficulty selling the shares because there is no public market for them.
- d. On June 11, 2007, AM invested \$33,000 in the KBS REIT.

24. The illiquid investments comprised 51% of AM's assets.

25. At Scro's direction, AM signed an Illiquid Security/Investment Purchase form for each investment, which stated that the investment was not liquid and that she was prepared to hold the investment for its duration.

26. AM relied on Scro to explain the products to her and did not understand that these investments were illiquid or risky.

27. These investments were not suitable for AM. AM was a retired senior citizen and it was not suitable to have 51% of her funds concentrated in illiquid investments. Scro's recommendations were also inconsistent with the risk tolerance of a "Conservative" and "Moderate" investor and the illiquid investments, which totaled \$110,790, exceeded the amount of liquid net worth listed on AM's New Account Form.

28. On or about October 21, 2010, AM filed a FINRA Arbitration claim against Scro for Scro's conduct as described above. In October 2011, she was awarded approximately \$36,491.02 in damages. To date, Scro has not satisfied the judgment as required.

29. On January 13, 2012, FINRA suspended Scro in all capacities pursuant to FINRA Rule 9554 for failing to comply with the arbitration award in the case of AM.

Customers MK and DK

30. Customers MK and DK are a retired couple who were aged 76 and 70 respectively, when they first met Scro in or about February 2008, after attending a retirement workshop dinner presented by Scro.

31. Both MK and DK were retired and had a joint annual income of approximately \$80,000, which consisted of Social Security income and a pension. The customers wanted safe investments that would protect their principal while conservatively growing their account.

32. MK and DK gave Scro \$330,000 to invest on their behalf. Outside of these investments, the customers had approximately \$100,000 in savings, and approximately \$200,000 in their IRA accounts.

33. According to their New Account Forms, the customers' annual income was \$100,000 to \$199,999, their net worth was \$1,000,000 to \$2,499,999, and their liquid assets were less than \$100,000. Their investment objectives were Balanced/Conservative Growth and Conservative/Moderate Growth. The customers stated that their net worth was approximately \$1,000,000, which was comprised of approximately \$330,000 invested with Scro, \$100,000 in savings, \$200,000 in IRA accounts, and the remainder in the value of their home.

34. MK and DK relied on Scro to make recommendations that were consistent with the investment objectives they discussed with him.

35. MK and DK met with Scro in March 2008 and he recommended a strategy that would protect their principal, while earning a very high interest rate with little or no risk. Based upon these representations and Scro's recommendations, MK and DK invested \$330,000, first at AWS and then at Workman, in the following illiquid investments:

- a. On April 28, 2008, MK and DK invested \$75,000 in ROI II, which was purchased through AWS. This investment was a 15% promissory note and, according to the PPM, the proceeds would be used to refinance debt owed by Reardon-affiliated real estate companies and other expenses related to the zoning of properties. The PPM stated that this investment involved a high degree of risk, that the securities were subject to restrictions on transferability and resale and that the investor was required to bear the financial risks of this investment for an indefinite period of time.

- b. On July 2, 2008, MK and DK invested \$50,000 in Provident Energy, a private placement purchased through Workman. Provident Energy was a Texas

limited partnership organized to engage in all aspects of the oil and gas business. The PPM stated that the securities were not registered with the Securities and Exchange Commission, were speculative and involved a high degree of risk.

- c. On July 23, 2008, MK and DK invested \$100,000 in Provident Shale Royalties, a private placement purchased through Workman. The subscription agreement had the customers affirm that they understood that the investment was speculative and involves a degree of risk that may result in the complete loss of the entire investment.
- d. On July 23, 2008, MK and DK invested \$75,000 in the 2008 Omega Drilling Program 3 LP program ("Omega Drilling"), a private placement purchased through Workman. According to the PPM, Omega Drilling is a limited partnership that focused primarily on drilling developmental oil wells and a limited number of natural gas wells. The subscription agreement stated that the securities involved a high degree of risk, were restricted and had no public market. The PPM stated that the investment was illiquid and that the exploration of natural gas and oil is inherently speculative.
- e. On August 7, 2008, MK and DK invested \$30,000 in Home Path Financial ("Home Path"), a private placement purchased through Workman. According to the PPM, Home Path sought capital appreciation through the discount buying and subsequent selling of single family houses. The PPM stated that the investment involved a high degree of risk and should only be considered

by investors that could bear the economic risk of the investment for an indefinite period of time and could afford a total loss of investment.

36. The illiquid investments represented 100% of the assets invested with Scro and 62% of MK and DK's total investments. The remaining 38% of their investments, approximately \$200,000, was not readily accessible to them as it was invested in IRA accounts.
37. MK and DK relied on Scro to explain the products to them and did not read through the investment documentation. MK and DK did not understand that these investments were illiquid or risky.
38. These investments were not suitable for MK and DK. MK and DK were retired senior citizens with liquid assets of less than \$100,000 and were not sophisticated investors. It was unsuitable to have \$330,000 of their funds concentrated in private placements that were highly speculative and illiquid. For these reasons, Scro's recommendations were not suitable for MK and DK.
39. On or about August 30, 2010, MK and DK filed a FINRA Arbitration due to Scro's conduct as described above. In November 2011, MK and DK were awarded approximately \$70,000. To date, Scro has not satisfied the judgment as required.
40. On January 9, 2012, FINRA suspended Scro in all capacities pursuant to FINRA Rule 9554 for failing to comply with the arbitration award in the case of MK and DK.
41. By recommending an unsuitable overconcentration of illiquid investments in the accounts of three retired senior citizens, Scro violated NASD Conduct Rules 2310(a) and 2110.

SECOND CAUSE OF ACTION
Use of False and Misleading Academic Credential
(NASD Conduct Rule 2110)

42. The Department realleges and incorporates by reference paragraphs 1-41 above.
43. While employed with AWS, Scro distributed to his customers and prospective customers a business card that represented he had a Master of Business Administration ("MBA") degree.
44. In fact, Scro did not have an MBA degree while he was employed with AWS.
45. Scro subsequently received an MBA diploma on March 29, 2010 from Belford University, an online website without faculty or staff that is not accredited by any agency recognized by the United States Department of Education or Council on Higher Education Accreditation. Scro did not have to complete any course work in order to receive this degree. Upon payment of \$480, he received the MBA degree based on his "life experience."
46. MK and DK attended Scro's free dinner seminar, in part, due to the MBA designation referenced on the business card included with Scro's dinner invitation.
47. IB invested with Scro after attending a free dinner seminar and stated that the credentials on Scro's business card made him trust Scro.
48. By using the false and misleading designation to solicit potential investors, Scro violated NASD Conduct Rule 2110.

THIRD CAUSE OF ACTION
Failure to Cooperate
(FINRA Rules 8210 and 2010)

49. The Department realleges and incorporates by reference paragraphs 1-48 above.

50. On July 15, 2011, FINRA staff sent a request letter, pursuant to FINRA Rule 8210, via First Class mail to Scro's address as listed on CRD, [REDACTED] (the "CRD Address"). In the Rule 8210 request, FINRA Staff requested copies of any presentation material he used, copies of any business cards and certain personal bank statements. Scro's response was due on or before July 22, 2011. The letter stated that failure to comply with the request may subject him to FINRA disciplinary action and the imposition of sanctions, including a bar from the securities industry, suspension, censure and/or fine. To date, Scro has not responded to FINRA's July 15, 2011 request and the letter has not been returned.

51. On July 26, 2011, the staff sent a second request for the same information, pursuant to FINRA Rule 8210, to Scro at his CRD Address via First Class mail and certified mail, return receipt requested. Staff also sent the letter via email to an email address Scro provided during his on-the-record testimony (the "Email Address"). Scro's response was due on or before August 2, 2011. The letter stated that failure to comply with the request may subject him to FINRA disciplinary action and the imposition of sanctions, including a bar from the securities industry, suspension, censure and/or fine. The return receipt for the letter sent via certified mail was returned to FINRA with an illegible signature on it. The letter sent via first class mail was not returned. Scro did not reply to the letter sent via email. To date, Scro has not responded to FINRA's July 26, 2011 Rule 8210 request.

52. On August 3, 2011, staff sent a third request letter for the same information, pursuant to FINRA Rule 8210, to Scro's CRD Address via First Class mail and certified mail, return receipt requested. A copy of the letter was sent to his Email Address. The

response was due on or before August 13, 2011. The letter stated that failure to comply with the request may subject him to FINRA disciplinary action and the imposition of sanctions, including a bar from the securities industry, suspension, censure and/or fine. The return receipt for the letter sent via certified mail was returned to FINRA with the signature of "HC". The letter sent via first class mail was not returned to FINRA. Scro did not reply to the letter sent via email. To date, Scro has not responded to FINRA's August 3, 2011 Rule 8210 request.

53. Staff subsequently performed a search on Lexis Nexis and found a second address for Scro (the "Alternative Address"). On December 8, 2011, staff sent a fourth request letter, pursuant to FINRA Rule 8210, via First Class mail and certified mail, return receipt requested to Scro's Alternative Address, requesting the same information as the previous three letters. A copy of the letter was also sent to his Email Address. Scro's response was due by December 16, 2011. The letter stated that failure to comply with the request may subject him to FINRA disciplinary action and the imposition of sanctions, including a bar from the securities industry, suspension, censure and/or fine. The letter sent via certified mail was returned and marked "Returned to Sender, Unclaimed." The letter sent via First Class mail was not returned to FINRA. Scro did not reply to the letter sent via email. To date, Scro has not responded to FINRA's December 8, 2011 Rule 8210 request.

54. On December 22, 2011, staff sent a fifth request letter for the same information, pursuant to FINRA Rule 8210, via First Class mail and certified mail, return receipt requested to Scro's CRD Address and Alternative Address. A copy of the letter was also sent to his Email Address. Scro's response was due by December 30, 2011. The

letter stated that failure to comply with the request may subject him to FINRA disciplinary action and the imposition of sanctions, including a bar from the securities industry, suspension, censure and/or fine. The letter sent via certified mail to the CRD Address was returned and marked "Returned to Sender, Unclaimed, Unable to Forward." The letter sent via certified mail to the Alternate Address was returned and marked "Returned to Sender, Unclaimed." The letters sent via First Class mail were not returned to FINRA. Scro did not reply to the letter sent via email. To date, Scro has not responded to FINRA's December 22, 2011 Rule 8210 request.

55. By failing to respond to FINRA's requests for information, sent pursuant to and in accordance with FINRA Rule 8210, Scro violated FINRA Rules 8210 and 2010.

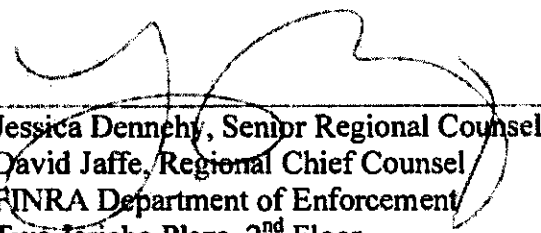
RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondent(s) committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed; and
- C. order that Respondent(s) bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330;

FINRA DEPARTMENT OF ENFORCEMENT

Date: 4/24/13



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