

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

Department of Enforcement,

Complainant,

v.

Arthur A. Gerome, Respondent,
CRD No. 804891,

Respondent.

Disciplinary Proceeding
No. 2010024503101

Hearing Officer - LBB

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: May 29, 2012

INTRODUCTION

Disciplinary Proceeding No. 2010024503101 was filed on October 18, 2011, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Arthur A. Gerome submitted an Offer of Settlement (Offer) to Complainant dated April 23, 2012. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, 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

Gerome has been employed in the securities industry since he associated with an NASD member in November 1974. Gerome obtained a Series 7 (General Securities Representative) license in February 1975.

From November 2001 to the present, Gerome has been associated with the following firms as a General Securities Representative:

<u>Firm</u>	<u>Dates of Employment</u>
Cantella & Co. Inc. ("C&CI")	November 29, 2001 to December 31, 2005
JHS Capital Advisors Inc. f/k/a Pointe Capital, Inc. ("JHSCAI, f/k/a PCI")	January 3, 2006 to July 11, 2006
Cedar Creek Securities, Inc. ("CCSI")	October 9, 2006 to November 3, 2006
Gerwin Group, Inc. ("GGI")	July 12, 2006 to December 20, 2010
CCSI	October 13, 2010 to March 31, 2011
Liberty Partners Financial Services, LLC ("LPFS")	May 10, 2011 to February 3, 2012

In May 2008, Gerome signed a Letter of Acceptance, Waiver and Consent (AWC No. 2006006417301) in which he agreed to serve a 30 calendar day suspension and pay a \$5,000.00

fine for violating NASD Rules 2370 and 2110 by borrowing \$14,500.00 from a Pointe Capital customer in April 2006.

FINDINGS AND CONCLUSIONS

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

Gerome is the subject of at least four tax liens, recorded between June 11, 2002 and May 20, 2009, as follows:

- On June 11, 2002, the Internal Revenue Service recorded a Federal Tax Lien against him in the amount of \$10,620.60 ("June 2002 lien"). The June 2002 lien was released on February 17, 2008.
- On October 21, 2003, the State of California Franchise Tax Board recorded a State Tax Lien against him in the amount of \$4,298.40 ("October 2003 lien").
- On June 3, 2005, the State of California Franchise Tax Board recorded a State Tax Lien against him in the amount of \$5,327.07 ("June 2005 lien"). The June 2005 lien was released on July 19, 2005.
- On May 20, 2009, the State of California Franchise Tax Board recorded a State Tax Lien against him in the amount of \$23,361.43 ("May 2009 lien").

From June 2002 to the present, Gerome has been associated with five different firms including one (Cedar Creek Securities) which he associated with on two different occasions. Gerome has never disclosed any of these liens to any of the firms.

FIRST CAUSE OF ACTION

(Willful Failure to Update Form U4)

(NASD Conduct Rule 2110, IM-1000-1, and Article V, Section 2(c) of the NASD By-Laws)

On or about November 29, 2001, Gerome completed a Form U4 to become associated with C&CI.

While associated with C&CI, Gerome willfully failed to update his Form U4 to disclose material information, namely, the June 2002, October 2003, and June 2005 liens.

The acts, practices, and conduct described above constitute a violation of NASD Conduct Rule 2110, IM-1000-1, and Article V, Section 2(c) of the NASD By-Laws by Gerome.

SECOND CAUSE OF ACTION
(Willful Failure to Disclose)
(NASD Conduct Rule 2110 and IM-1000-1)

On or about January 3, 2006, Gerome completed a Form U4 to become associated with JHSCAI.

On that Form U4, Gerome answered “No” in response to Question 14M which asked: “Do you have any unsatisfied judgments or liens against you?”

Gerome’s answer to Question 14M was false. He was the subject of the June 2002 and October 2003 liens.

Gerome’s failure to disclose those liens was a willful failure to disclose material information.

The acts, practices, and conduct described above constitute a violation of NASD Conduct Rule 2110 and IM-1000-1 by Gerome.

THIRD CAUSE OF ACTION
(Willful Failure to Disclose)
(NASD Conduct Rule 2110 and IM-1000-1)

On or about October 9, 2006, Gerome completed a Form U4 to become associated with CCSI.

On that Form U4, Gerome answered “No” in response to Question 14M which asked:
“Do you have any unsatisfied judgments or liens against you?”

Gerome’s answer to Question 14M was false. He was the subject of the June 2002 and October 2003 liens.

Gerome’s failure to disclose those liens was a willful failure to disclose material information.

The acts, practices, and conduct described above constitute a violation of NASD Conduct Rule 2110 and IM-1000-1 by Gerome.

FOURTH CAUSE OF ACTION
(Willful Failures to Disclose and to Update Form U4)
((NASD Conduct Rule 2110, IM-1000-1, FINRA Rules 2010 and 1122, and
Article V, Section 2(c) of the FINRA By-Laws)

On or about July 12, 2006, Gerome completed a Form U4 to become associated with GGI.

On that Form U4, Gerome answered “No” in response to Question 14M which asked:
“Do you have any unsatisfied judgments or liens against you?”

Gerome’s answer to Question 14M was false. He was the subject of the June 2002 and October 2003 liens.

Gerome’s failure to disclose those liens was a willful failure to disclose material information.

While associated with GGI, Gerome became subject to the May 2009 lien.

Gerome willfully failed to update his Form U4 to disclose material information, namely, the May 2009 lien.

By willfully failing to disclose the June 2002 lien, Gerome violated NASD Rule 2110 and IM-1000-1. By willfully failing to disclose the October 2003 lien, Gerome violated NASD Rule 2110, IM-1000-1, and FINRA Rules 2010 and 1122.

By willfully failing to update his Form U4 to disclose the May 2009 lien, Gerome violated FINRA Rules 2010 and 1122, IM-1000-1 and Article V, Section 2(c) of the FINRA By-Laws.

FIFTH CAUSE OF ACTION
(Willful Failure to Disclose)
(FINRA Rules 2010 and 1122)

On or about October 13, 2010, Gerome completed a Form U4 to reassociate with CCSI.

On that Form U4, Gerome answered “No” in response to Question 14M which asked: “Do you have any unsatisfied judgments or liens against you?”

Gerome’s answer to Question 14M was false. He was the subject of the October 2003 and May 2009 liens.

Gerome’s failure to disclose those liens was a willful failure to disclose material information.

The acts, practices, and conduct described above constitute a violation of FINRA Rules 2010 and 1122 by Gerome.

SIXTH CAUSE OF ACTION
(Willful Failure to Disclose)
(FINRA Rules 2010 and 1122)

On or about May 10, 2011, Gerome completed a Form U4 to become associated with LPFS.

On that Form U4, Gerome answered “No” in response to Question 14M which asked: “Do you have any unsatisfied judgments or liens against you?”

Gerome’s answer to Question 14M was false. He was the subject of the October 2003 and May 2009 liens.

Gerome’s failure to disclose those liens was a willful failure to disclose material information.

The acts, practices, and conduct described above constitute a violation of FINRA Rules 2010 and 1122 by Gerome.

Based on the foregoing, Respondent willfully violated FINRA Rules 2010 and 1122, NASD Rule 2110 and IM-1000-1 by failing to disclose liens dated June 11, 2002, October 21, 2003, June 3, 2005, and May 20, 2009. Respondent also willfully violated FINRA Rule 2010 1122, NASD Conduct Rule 2110, IM-1000-1 and Article V, Section 2(c) of the NASD and FINRA By-Laws by failing to update his Forms U4 to disclose the same liens.

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 for four months in all capacities. Respondent has submitted a sworn financial statement and demonstrated an inability to pay. In light of the financial status of Respondent, no monetary sanctions have been imposed.

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

A handwritten signature in black ink, appearing to read "Joel Kornfeld", is written over a horizontal line.

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