

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

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

MERRIMAC CORPORATE SECURITIES, INC.
(CRD No. 35463),
STEPHEN D. PIZZUTI (CRD No. 1461660),
ROBERT G. NASH (CRD No. 718820),
DAVID W. MATTHEWS, JR. (CRD No.
323097),
JOHN W. DUBRULE (CRD No. 1223724),
AND KEVIN A. TUTTLE (CRD No. 2414158),

RESPONDENTS.

Disciplinary Proceeding
No. 2011027666902

Hearing Officer MAD

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: May 8, 2014

INTRODUCTION

Disciplinary Proceeding No. 2011027666902 was filed on July 3, 2013, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent David W. Matthews submitted an Offer of Settlement (Offer) to Complainant dated April 29, 2014. 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

From May 2009 through January 2013, Matthews, as the Merrimac Corporate Securities, Inc.'s (Firm or Merrimac) Anti-Money Laundering Compliance Officer, failed to establish and maintain supervisory procedures reasonably designed to achieve compliance with Anti-Money Laundering (AML) rules and regulations, and failed to monitor and detect suspicious activity in violation of NASD Rule 3011 and FINRA Rules 2010 (effective 12/15/08) and 3310 (effective 1/1/10).

In addition, from November 2007 to January 2013, Matthews failed to establish, maintain, and enforce an adequate supervision system in violation of NASD Rule 3010 and FINRA Rule 2010¹. Particularly, Matthews failed to reasonably supervise Merrimac registered representatives and support staff activities in connection with the deposit and liquidation of penny stocks and failed to reasonably supervise Merrimac registered representatives' outside business activity and public communications made through internet websites.

Matthews first became registered with a FINRA member firm as a General Securities Representative in April 1992. On March 6, 2003, Matthews became associated with Merrimac as the Firm's Chief Compliance Officer and as a GSP. He was the Firm's Chief Compliance Officer until April 2008. Matthews was the President of the Firm from 2004 until January 2013.

¹ NASD Rule 2110 is for conduct occurring before December 15, 2008.

Matthews voluntarily resigned from Merrimac on or about April 22, 2014. The Firm terminated his registration on April 25, 2014 by filing a Uniform Termination Notice from Securities Industry Registration (Form U5) relating to him. FINRA maintains jurisdiction over Matthews pursuant to Article V of FINRA's By-Laws because the Complaint in this matter was filed prior to the effective date of the termination of his registration with Merrimac, and the Complaint charges Matthews with misconduct committed while he was registered with a FINRA member firm.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:²

**Matthew Failed to Establish and Implement
an Effective Anti-Money Laundering System
Violation of NASD Rule 3011(a), and
FINRA Rules 3310 and 2010**

NASD Rule 3011(a) provided that Firms must establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of suspicious activity or transactions, as required by 31 U.S.C. 5318(g) and the implementing regulations thereunder. NASD Rule 3011(a) was replaced by FINRA Rule 3310(a) on January 1, 2010.

From May 2009 through January 2013, Matthews, the Firm's Anti-Money Laundering Compliance Officer, failed to establish and maintain supervisory procedures reasonably designed to achieve compliance with Anti-Money Laundering (AML) rules and regulations, and failed to monitor and detect suspicious activity in violation of NASD Rule 3011 and FINRA Rules 2010 and 3310.

² The findings herein are pursuant to Respondent David W. Matthews, Jr.'s Offer of Settlement and are not binding on any other person or entity named as a respondent in this or any other proceeding.

Starting in about May 2009, Merrimac began servicing customers whose primary trading activity involved penny stocks. At the time, Merrimac had in effect a written Compliance Manual and Written Supervisory Procedures (Merrimac WSPs), and the Firm's AML policies, procedures, and internal controls were described in the Firm's written AML Program Compliance and Supervisory Procedures, dated October 12, 2007 (2007 AML Procedures), which were revised on January 1, 2010 (2010 AML Procedures).

Prior to September 2010, the Merrimac WSPs contained no references to penny stock trading activity.

The 2007 AML Procedures described numerous examples of suspicious activity; however none of the examples were specifically directed at identifying suspicious activity that could arise in the course of depositing, trading, and selling penny stocks. Thus, from May 2009 through January 2010, the Firm had no written policies, procedures, or internal controls related to penny stock activity, despite that penny stock trading constituted between ten and twenty percent of the Firm's business.

The 2010 AML Procedures contained a section that identified red flags that Merrimac registered representatives should identify that signaled potential money laundering activity. Examples of suspicious activity concerning "certain securities transactions" included:

- a. Two or more accounts trade in illiquid stock suddenly and simultaneously;
- b. Customer has opened multiple accounts with the same beneficial owners or controlling parties for no apparent business reason; and
- c. Customer transactions include a pattern of receiving stock in physical form or the incoming transfer of shares, selling the position and wiring out proceeds.

Examples of red flags concerning penny stock companies in the 2010 AML Procedures included:

- a. Company has no business, no revenues and no product;
- b. Company has experienced frequent or continuous changes in its business structure;
- c. Officers or insiders of the issuer are associated with multiple penny stock issuers;
- d. Company undergoes frequent material changes in business strategy or its line of business;
- e. Officers or insiders of the issuer have a history of securities violations;
- f. Company has not made disclosures in SEC or other regulatory filings; and
- g. Company has been the subject of a prior trading suspension.

In September 2010, the Firm implemented for the first time written policies and procedures for processing Over-the-Counter and Pink Sheet Securities (penny stocks). The procedures required that registered representatives processing penny stock transactions complete a set of Deposit Securities Request forms, including a customer questionnaire, that intended to document the source of the penny stock and confirm that the stock was registered with the SEC or exempt from registration, among other things. According to the written procedures, the Deposit Securities Request forms were prepared by the registered representative, and reviewed and approved by a designated Deposit Securities Request processor reviewer and compliance personnel. The procedures stated that the “[Deposit Securities Request] forms must be signed by compliance or corporate management before being forwarded to the clearing firm.” The procedures also directed that registered representatives that uncovered any suspicious activity must notify the Firm’s compliance personnel.

In addition, a Merrimac staff member was required to research each new customer's background including any securities-related disciplinary history.

As a FINRA member, Merrimac was required to implement a risk-based AML program tailored to its lines of business. As AMLCO, Matthews was tasked with carrying out that responsibility. However, from May 2009 through January 2013, Matthews failed to implement anti-money laundering procedures concerning penny stock trading that were designed to achieve compliance with the Bank Secrecy Act. Matthews failed to adequately review customer transactions involving penny stocks, and in many instances, penny stock transactions were processed without any supervisory review.

The 2010 AML Procedures failed to instruct Firm employees how to report red flags and suspicious activity. In particular, the subsection titled "Responding to Red Flags and Suspicious Activity" stated in relevant part that "[w]hen an employee of the Firm detects any red flag or other activity that may be suspicious, he or she will notify [*include procedures for escalation of suspicious activity*]." [italics in original]. Consequently, Merrimac staff had no written guidance that instructed them in the event that the staff encountered suspicious activity.

From May 2009 through January 2013, Matthews, as AMLCO, was responsible for all facets of AML supervision. However, Matthews failed to identify specific instances of suspicious activity in the accounts of Firm customers that exclusively traded in penny stocks, including failing to identify customers with securities-related history, failing to identify suspicious trading activity, and failing to identify red flags directly related to penny stock trading.

Merrimac Customers with a History of Discipline in the Securities Industry

From on or about May 1, 2009 to on or about January 5, 2010, Customer T opened three brokerage accounts at Merrimac. Customer T opened the first account in the name of an entity called Customer Q, and opened the remaining two accounts in his own name. Customer T has an extensive history of securities-related disciplinary actions:

- a. On June 4, 2009 Customer T signed an AWC with FINRA that resulted in Customer T being permanently barred from association with any FINRA member firm in any capacity. Customer T consented to the entry of findings that through his actions, his member firm failed to adequately enforce anti-money laundering procedures, failed to file suspicious activity reports, failed to investigate suspicious activity in customer accounts, and failed to maintain and enforce supervisory systems and procedures concerning, among other things, "front running."
- b. On January 2, 2008, the State of Maryland Division of Securities issued an Order to Show Cause concerning Customer T's activity at a securities firm he was operating. On February 5, 2008, Customer T consented to the entry of a bar from association with any broker-dealer in the state of Maryland. In connection with this settlement, Customer T was found to have aided and abetted securities fraud in violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.
- c. On June 12, 2007, Customer T signed an AWC with NASD which resulted in Customer T being censured and fined \$12,500. GC consented to the entry of findings that through his actions, his member firm conducted a securities business without sufficient net capital.

- d. On April 11, 2007, the United States Securities and Exchange Commission instituted proceedings against Customer T for aiding and abetting a pump-and-dump scheme. Customer T allegedly executed more than 200 trades which generated \$2.5 million in proceeds. On December 5, 2007, Customer T consented to a cease-and-desist order that compelled him to cease violating Section 10(b) of the Exchange Act and Rule 10b-5, and was barred from the securities industry for two years and fined \$25,000.

On or about July 8, 2009 an entity called Customer D opened a brokerage account at Merrimac. Documents prepared at the time the Customer D account was opened list an individual named Customer U as Customer D's Managing Member and the primary signatory for the account. On September 9, 1998, the NASD filed a complaint against Customer U alleging numerous violations of the securities laws, including fraud and executing unauthorized transactions in customer accounts. On February 28, 2001, Customer U was permanently barred from association with any FINRA member firm in any capacity.

On or about June 21, 2010, Customer V opened a brokerage account at Merrimac. On January 30, 1995, the NASD filed a Complaint against Customer V alleging numerous violations of the securities laws including recommending unsuitable investments to a customer and misappropriating over \$20,000 in customer funds. On August 2, 1995, Customer V was censured, fined \$100,000, and permanently barred from association with any FINRA member firm in any capacity.

Matthews failed to adequately research the securities-related disciplinary history of these customers, or was aware of their disciplinary history and did nothing to elevate or tailor the level of supervision of the customers' trading activity in light of this red flag.

Suspicious Activity Involving Penny Stock Issuers

Activity Involving Issuer F

Issuer F was incorporated as CLPI on August 31, 1988. In May 1997, the company changed its name to CGI. In October 2006 the company changed its name to MSI. In August 2008, the company changed its name again to CTC. In May 2010 the company changed its name to Issuer F.

From August 27, 2010 through December 27, 2010, Issuer F was quoted on the Pink Sheet and OTCQB markets.

From October 19, 2010, through December 26, 2010, Issuer F disseminated numerous press releases that made claims regarding Issuer F expanding its intellectual property and various pending patent applications associated with solutions for containing oil spills.

The press releases disseminated by Issuer F coincided with increased market activity in Issuer F's common stock. During the three month period from July 16, 2010 through October 18, 2010, Issuer F's average daily trade volume was 633 shares. During the period from October 19, 2010 through December 26, 2010, Issuer F's average daily trade volume was 42,396 shares, and its share price fluctuated from an intraday low of \$0.05 to an intraday high of \$0.59.

During the period from August 27, 2010 through December 27, 2010, three Merrimac customers liquidated approximately 468,500 Issuer F shares for proceeds totaling \$117,093.

Customer D received 130,000 unregistered Issuer F shares in its Merrimac brokerage account on October 22, 2010. From October 26, 2010 through November 4, 2010, Customer D sold 68,650 shares of Issuer F's stock for proceeds totaling \$22,005. On November 8, 2010, Customer D wired \$13,043 from its Merrimac account to an outside bank account. From November 16, 2010 through November 18, 2010, Customer D sold 26,053 shares of Issuer F's

stock for proceeds totaling \$4,237. On November 23, 2010, Customer D wired \$3,393 from its Merrimac account to an outside bank account. From December 6, 2010 through December 13, 2010, Customer D sold 14,637 shares of Issuer F's stock for proceeds totaling \$1,235. On December 17, 2010, Customer D wired \$2,254 from its Merrimac account to an outside bank account. On December 20, 2010 and December 21, 2010, Customer D sold 46,160 shares of Issuer F's stock for proceeds totaling \$5,608. In two transactions on December 23, 2010 and December 27, 2010, Customer D wired \$5,608 from its Merrimac account to an outside bank account.

Customer R deposited 300,000 unregistered Issuer F shares into his Merrimac brokerage account on August 9, 2010. From August 27, 2010 through December 27, 2010, Customer R sold 272,000 shares of Issuer F's stock for proceeds totaling \$70,506. From September 15, 2010 through December 30, 2010, Customer R wired \$61,206 in ten separate wire transfers from his Merrimac account to an outside bank account.

From October 1, 2010 through November 5, 2010, Customer S sold 41,000 Issuer F shares from his Merrimac brokerage account for proceeds totaling \$13,502.

Matthews failed to identify irregular trading activity present during the time immediately after the issuance of Issuer F press releases, and failed to identify Issuer F trading activity that should have reasonably been observed as a red flag according to the Firm's AML Procedures.

Activity Involving Issuer G

Issuer G was an OTC Link quoted issuer headquartered at a residential address in Salt Lake City, Utah.

On or about March 28, 2011, Issuer G disseminated a press release that stated, among other things, that Issuer G "has begun preliminary discussions regarding its patent-pending

‘World Home’ prefab permanent housing available for Japan disaster victims.” Concurrent with the press release, Issuer G conducted an internet-based stock promotion campaign that involved disseminating emails to potential investors.

The Issuer G press release and stock promotion activity coincided with increased market activity in Issuer G’s common stock. During the four year period from February 12, 2007 through March 25, 2011, Issuer G’s average daily trade volume was slightly below 60,000 shares. However, during the period from March 28, 2011 through April 28, 2011, Issuer G’s average daily trade volume was 4,096,177 shares, and its share price fluctuated from an intraday low of \$0.0097 to an intraday high of \$0.025.

On March 28, 2011, Merrimac Customer V sold 50,000 unregistered Issuer G shares from his Merrimac brokerage account for proceeds totaling \$1,000.

Matthews failed to identify irregular trading activity present during the time immediately after the issuance of the Issuer G press release.

Activity Concerning Issuer H

Issuer H was a Pennsylvania-based healthcare membership organization quoted on the Pink Sheets.

From April 15, 2009 through June 24, 2009, Issuer H disseminated press releases announcing the company’s increased revenue and business expansions through new healthcare membership programs.

From April 17, 2009 through June 11, 2010, Merrimac Customer T deposited and sold millions of unregistered Issuer H shares from three separate Merrimac accounts under his control.

On May 1, 2009, Customer T opened a Merrimac brokerage account bearing account number xxxx1869. On December 16, 2009, GC deposited 250,000 unregistered Issuer H shares that he received directly from Issuer H into Merrimac account ending 1869. On December 31, 2009, Customer T deposited an additional 250,000 unregistered Issuer H shares that he received directly from Issuer H into Merrimac account ending 1869. The forms prepared by Merrimac staff at the time of the December 2009 deposits reflected that the deposited Issuer H shares were neither registered with the SEC, nor exempt from registration when Customer T acquired them. Nevertheless, from November 17, 2009 through April 7, 2010, Customer T sold 1,000,000 unregistered Issuer H shares from account ending 1869, for proceeds totaling \$48,694. From November 27, 2009 through August 8, 2010, Customer T wired \$63,610 in 24 separate wire transfers from Merrimac account ending 1869 to an outside bank account.

On December 29, 2009, Customer T opened a Merrimac brokerage account bearing account number xxxx0565. On April 27, 2010, Customer T deposited 400,000 unregistered Issuer H shares that he received directly from Issuer H into Merrimac account ending 0565. The form prepared by Merrimac staff at the time of the deposit reflected that the deposited Issuer H shares were neither registered with the SEC, nor exempt from SEC registration when Customer T acquired them. Nevertheless, from May 25, 2010 through June 11, 2010, Customer T sold all 400,000 unregistered Issuer H shares from Merrimac account ending 0565, for proceeds totaling \$13,802.

On January 5, 2010, Customer T opened a Merrimac brokerage account bearing account number xxxx2322. On January 11, 2010, Customer T deposited 150,000 unregistered Issuer H shares that he acquired directly from Issuer H into Merrimac account ending 2322. The form prepared by Merrimac staff at the time of the deposit reflected that the deposited Issuer H shares

were neither registered with the SEC, nor exempt from SEC registration when Customer T acquired them. Nevertheless, from January 21, 2010 through February 11, 2010, Customer T sold 68,650 unregistered Issuer H shares from Merrimac account ending 2322, for proceeds totaling \$9,029. From January 25, 2010 through September 15, 2010, Customer T wired \$13,962 in six separate wire transfers from Merrimac account ending 2322 to an outside bank account.

Despite the fact that Customer T had an extensive securities-related disciplinary history, had opened multiple accounts titled in his name and the name of nominee entities that he controlled, and had deposited, sold and wired out proceeds from penny stock activity in a short time period, Matthews failed to observe that this activity raised red flags and was potentially suspicious, such that he should have investigated the activity in order to determine whether it was necessary to file a Suspicious Activity Report.

In addition, Matthews failed to review dozens of forged Deposit Securities Request forms and thus allowed to be processed dozens of penny stock transactions absent any supervisory review. In some instances, unsupervised penny stock deposits were made into Merrimac accounts controlled by customers with securities-related disciplinary history.

The Firm's lack of risk-based monitoring prevented the Firm from observing patterns of suspicious activity and resulted in certain Merrimac customers selling millions of shares of unregistered non-exempt securities to the public.

Based upon the foregoing, Matthews violated NASD Rule 3011 and FINRA Rule 2010, for conduct occurring before January 1, 2010, and violated FINRA Rules 3310 and 2010 for conduct occurring after December 31, 2009.

**Matthews Failed to Maintain an Effective Supervisory System
and Written Supervisory Procedures
Violation of NASD Rules 3010 and 2110**

NASD Rule 3010(a) requires FINRA registered firms to establish and maintain a system to supervise the activities of its employees that is reasonably designed to achieve compliance with the federal securities laws and NASD and FINRA Rules.

**Matthews Failed to Supervise
Tuttle's and DuBrule's Private Securities Transactions**

NASD Rule 3040(c)(2) requires member firms that approve an associated person's participation in private securities transaction to record that person's transactions on the books and records of the member, and requires the member to supervise the person's participation in the transaction as if the transaction were executed on behalf of the member.

Merrimac's WSPs prohibited its registered representatives from engaging in private securities transactions without the Firm's prior written approval.

From about June 2007 through January 2010, John DuBrule (DuBrule) and Kevin Tuttle (Tuttle), who were registered with FINRA as GSRs and GSPs through an association with Merrimac, were engaged in outside business activities that Merrimac had approved. The outside business activities involved Tuttle Asset Management, LLC (TAM) and two hedge funds, the Dellinger Fund, LLC (Dellinger Fund) and the TAM Dynamic Allocation Fund, LLC (TAM Fund).

Starting on or about August 1, 2004, DuBrule and Tuttle began offering interests of the Dellinger Fund to members of the public. The Dellinger Fund was a private investment fund that was sold as an unregistered private offering exempt from registration under Rule 506 of Regulation D of the Securities Act of 1933 (Regulation D). According to the Dellinger Fund's

Offering Memorandum, its investment strategy was to use hedging and arbitrage techniques in equity and fixed income markets and invest in real estate and other alternative investments. TAM was the investment manager for the Dellinger Fund. Tuttle owned 53% and DuBrule owned 38% of TAM, with the remaining amount owned by two other individuals.

In or about September 2007, Matthews met with Tuttle and DuBrule and discussed their activity surrounding TAM, the Dellinger Fund, and the TAM Fund. By letter dated September 14, 2007, Tuttle and DuBrule formally requested that Merrimac permit them to conduct private securities transactions in connection with TAM, the Dellinger Fund, and the TAM Fund.

By letter dated November 15, 2007, Merrimac, acting through Matthews, granted Tuttle permission to engage in his outside business activities, and to transact securities business in accordance with NASD Rule 3040. Merrimac prohibited Tuttle from marketing participation from any Merrimac client in any outside hedge funds, including the Dellinger Fund and TAM Fund.

By letter dated September 9, 2008, DuBrule requested that Merrimac permit him to perform outside business activities in connection with TAM, the Dellinger Fund, and other companies. Merrimac, through Matthews, granted DuBrule permission to engage in these outside businesses, so long as DuBrule advised the Firm of any changes in his activities.

From November 2007 through January 2010, after permitting Tuttle and DuBrule to engage in activities related to the Dellinger Fund and the TAM Fund, Matthews, acting on behalf of Merrimac, was responsible for reviewing Tuttle and DuBrule's outside business activity concerning the Dellinger and TAM Funds, including monitoring any private securities transactions in connection with the funds. However, Matthews failed to take reasonable steps to

review Tuttle's and DuBrule's activities, and failed to record on the Firm's books and records securities transactions that Tuttle and DuBrule facilitated through the Dellinger and TAM Funds.

From on or about November 15, 2007 through 2010, Matthews reviewed brokerage account statements for the Dellinger Fund and the TAM Fund. However, Matthews's review was limited to ensuring that the trading in the Funds was not being used to "front-run" the trading of Merrimac clients.

Matthews was aware of the illiquid nature of the investments in which the Dellinger and TAM Funds were investing, but failed to request or review any of the promissory notes, or consolidated agreements that the Funds had entered into. A review of these notes and agreements would have revealed that DuBrule and Tuttle were assigning values in the millions of dollars on defaulted promissory notes that had been serially cancelled or covered by a subsequent note or agreement.

Matthews failed to request and review Quarterly Statements or Summary Quarterly Statements that were provided to investors in the Dellinger Fund and the TAM Fund. These statements showed that management fees and performance allocations assessed by DuBrule and Tuttle, were based on the defaulted promissory notes that DuBrule and Tuttle had assigned values in the millions of dollars.

Matthews failed to review general ledgers and Quarterly Statements for the Dellinger and TAM Funds that would have shown deposits and withdrawals from the funds. Thus, while the Firm expressly prohibited Tuttle and DuBrule from seeking new investors for the Dellinger and TAM Funds, the Firm and Matthews failed to observe that in 2009 the Dellinger Fund accepted over \$4 million in new investments from new or preexisting investors.

Among the investors that contributed new money into the Dellinger Fund in 2009 were two preexisting investors. If Matthews had reviewed the promissory notes and Summary Statements he would have known that those customers had received statements that valued their investment in the millions of dollars, but that the statements failed to make the investors aware that the assets underlying their investment were in default.

Matthews Failed to Supervise Penny Stock Trading Activity

The WSPs further required that a principal periodically review trading in its customer accounts for, among other things, suitability of recommended transactions and to identify excessive trading. However, Matthews failed to review Firm customers' penny stock trading activity and related Deposit Securities Request forms, and consequently caused the Firm to process approximately 33 unsupervised penny stock transactions, including a single deposit transaction that resulted in the sale of millions of shares of unregistered securities.

Despite knowing as early as September 2010 that a member of Merrimac's staff had forged a significant but unknown number of Deposit Securities Request forms and thus caused numerous unregistered penny stocks to be deposited into Merrimac customer accounts absent supervisory review, Matthews failed to conduct any investigation to determine the scope of the forgeries and unsupervised penny stock trading. Matthews also made no effort to determine whether any unsupervised transactions resulted in a violation of Section 5 of the Securities Act of 1933, or required follow-up or reporting under the Firm's AML procedures.

Matthews Failed to Supervise Pizzuti's Communications with the Public

The Merrimac WSPs provided that all advertising must be reviewed by the Director of Compliance prior to use and submitted to the FINRA Advertising Regulation Division within ten (10) days of its proposed use. At all relevant times in the Complaint, Matthews was the principal

designated responsible for reviewing all advertising materials. The WSPs failed specifically to address registered representatives' communications with the public through websites.

From September 2010 to February 2012, Stephen Pizzuti, a registered representative and Merrimac's Chief Executive Officer, disseminated securities-related communications that provided insufficient information to evaluate the products offered; failed to define relevant terminology; made misleading statements about the market and products impact on investors; failed to adequately disclose risks; failed to prominently disclose the name of the registered broker-dealer; failed to disclose the relationship between Pizzuti and Merrimac; and generally presented to the public information that was misleading, exaggerated, and unwarranted. Matthews failed to ensure that Pizzuti's websites were reviewed prior to use and submitted to the FINRA Advertising Regulation Division within ten days of its proposed use.

Based on the foregoing, Respondent Matthews failed to reasonably supervise activity at Merrimac in violation of NASD Rule 3010, NASD Rule 2110 for conduct occurring before December 15, 2008, and FINRA Rule 2010 for conduct occurring after December 14, 2008.

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:

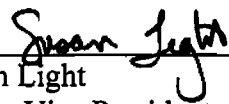
- suspended from association with any FINRA member firm in a principal capacity for a period of three months; and
- fined \$15,000.

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



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