

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

James Henry Bischoff III
(CRD No. 2468603),

Respondent.

DISCIPLINARY PROCEEDING
No. 2011028975801

COMPLAINT

The Department of Enforcement (the “Department”) alleges:

SUMMARY

1. While employed as a registered representative with Commonwealth Financial Network (“Commonwealth” or the “Firm”), James H. Bischoff III (“Bischoff”) converted \$120,000 from a customer for his own personal use, in violation of FINRA Rules 2150 and 2010, and engaged in unapproved private securities transactions, in violation of NASD Rule 3040 and FINRA Rule 2010.
2. In addition, Bischoff failed to respond to the staff’s Rule 8210 requests, in violation of FINRA Rules 8210 and 2010.

RESPONDENT AND JURISDICTION

3. Bischoff first entered the securities industry in 1994. He obtained his Series 63 license in June 1994 and his Series 7 license in November 1994. In January 2009, Bischoff became registered with Commonwealth Financial Network, d/b/a

Northpoint Wealth Management LLC, in Alpharetta, Georgia. As a result of the conduct described herein, Bischoff's registrations with Commonwealth were terminated on August 12, 2011.

4. Although Bischoff 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) this Complaint was filed within two years after the effective date of termination of Bischoff's registration with Commonwealth, and (2) this Complaint charges him with misconduct committed while he was registered or associated with a FINRA member and with failing to respond to FINRA requests for information during the two-year period after the date upon which he ceased to be registered or associated with a FINRA member

**FIRST CAUSE OF ACTION
CONVERSION
(Violations of FINRA Rules 2150(a) and 2010)**

5. The Department re-alleges and incorporates by reference paragraphs 1 through 4 above.
6. On or about April 14, 2011, Commonwealth customer KB gave Bischoff a check for \$120,000, made payable to "Northpoint Wealth Management," for an investment in a money market account.
7. Bischoff, however, failed to invest the \$120,000 in the manner that KB instructed. Rather, he deposited the check into a bank account that he had opened for his personal use under the name, "Northpoint Wealth Management," and converted the funds to his own use.

8. By reason of the foregoing, Bischoff violated FINRA Rules 2150(a) and 2010.

**SECOND CAUSE OF ACTION
ENGAGING IN UNDISCLOSED PRIVATE SECURITIES TRANSACTIONS
(Violations of NASD Rule 3040 and FINRA Rule 2010)**

9. The Department re-alleges and incorporates by reference paragraphs 1 through 8 above.

10. Beginning in 2009, Bischoff solicited several firm customers to invest in a company called NuQuest Inc., which was not a Commonwealth-approved investment.

11. In November 2009, Bischoff's client, EM, invested \$40,000 in NuQuest Convertible Debentures ("NuQuest"), a security, via a private placement facilitated by Bischoff. In March 2010, EM subsequently made a second investment in NuQuest. On or about June 6, 2010, Bischoff's clients TY and MS each purchased 60,000 shares of NuQuest stock for \$15,000 via a private placement facilitated by Bischoff.

12. In consideration for his solicitation of these and other NuQuest investors, Bischoff received 120,000 shares of NuQuest stock and warrants to purchase an additional 250,000 shares.

13. Bischoff did not disclose or receive approval from anyone at Commonwealth regarding his participation in the NuQuest transactions.

14. By virtue of the foregoing conduct, Bischoff violated NASD Rule 3040 and FINRA Rule 2010.

THIRD CAUSE OF ACTION
FAILURE TO RESPOND TO REQUESTS FOR DOCUMENTS AND INFORMATION
(Violations of FINRA Rules 8210 and 2010)

15. The Department re-alleges and incorporates by reference paragraphs 1 through 14 above.
16. On or about December 1, 2011, FINRA staff sent Bischoff, at his address of record listed in CRD ("CRD Address"), a request for documents and information pursuant to Rule 8210, via certified mail, return receipt requested, and by first class U.S. mail. Bischoff's response was due on or before December 23, 2011. Bischoff failed to respond to this request. The certified letter was returned "unclaimed," and the first class letter was not returned.
17. On or about January 12, 2012, FINRA staff sent Bischoff a second request for the same documents and information, pursuant to Rule 8210. The 8210 request was sent to Bischoff's CRD Address by certified mail, return receipt requested, and by first class U.S. mail. His response was due on or before January 26, 2012. The letter mailed by first class mail was not returned, and the certified letter was returned "unclaimed." Bischoff failed to respond to this request.
18. The U.S. Postal Service records show that notices of both certified mailings to Bischoff's CRD Address were left at Bischoff's CRD Address.
19. In February 2012, FINRA staff spoke with Bischoff on the phone. The staff advised Bischoff of his obligation to respond to the outstanding Rule 8210 requests. Bischoff stated that his response to the Rule 8210 requests would be forthcoming. Since this

call, however, the staff has been unable to reach Bischoff, and Bischoff has not responded to the Rule 8210 requests.

20. As a result of the foregoing conduct, Bischoff violated FINRA Rules 8210 and 2010.

RELIEF REQUESTED

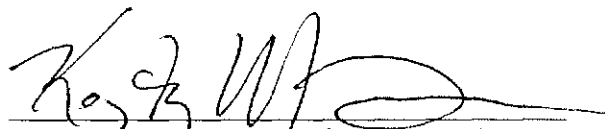
WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondent 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.
- C. order that Respondent 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:

May 10, 2012



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