

FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Alfred P. Reeves, III (CRD No. 372836),

Respondent.

DISCIPLINARY PROCEEDING
No. 2011030192201

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Respondent Alfred P. Reeves, III converted funds of his former employing member firm.

RESPONDENT AND JURISDICTION

2. Reeves passed the S00 exam in 1968 and the F04 exam in 1974. He subsequently acquired Series 4, 14, 55, and 63 licenses.

3. Since the late 1960s, Reeves has been associated with numerous FINRA members.

4. Reeves was associated with FINRA member HWJ Capital Partners II, LLC from January 5, 2011 through August 30, 2011.

5. Reeves was associated with FINRA member Convergent Securities, LLC from November 18, 2010 through December 2, 2011.

6. Most recently, Reeves was associated with FINRA member Tontine Investment Group, LLC. On November 8, 2010, Tontine filed a Form U4 for Reeves, commencing his association with it as of October 1, 2010. On January 3, 2012, Tontine filed a Form U5 for Reeves, terminating his association with it as of December 30, 2011. Reeves was not registered with FINRA through Tontine, which was going through the new membership application process while he was associated with it.

7. Reeves currently is not associated with a member.

8. Although Reeves 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 (a) the Complaint was filed within two years after the date upon which he ceased to be associated with a FINRA member, namely, December 30, 2011; and (b) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member.

FACTS

9. From January 5, 2011 through August 30, 2011, Reeves served as the Limited Principal—Financial and Operations (a/k/a FINOP) for HWJ.

10. As such, Reeves was listed as an "Authorized Billing Contact" for HWJ with its clearing firm, Legent Clearing LLC, on a list of principal contacts that HWJ provided to Legent. The list included Reeves' mobile phone number and personal e-mail address as his contact information.

11. HWJ did not immediately remove Reeves as an "Authorized Billing Contact" with Legent after it had terminated his association with it in August 2011.

12. On October 7, 2011, after HWJ had terminated Reeves' association with it, and in connection with the disbursement of funds owed by Legent to HWJ, Legent sent the following e-mail to Reeves, who, at the time, was still listed as an "Authorized Billing Contact" for HWJ, at his personal e-mail address:

Your September billing Invoice is complete and Legent owes you money. We do not have any payment instructions on file for you. Please fill out the following questionnaire and send back to Correspondent Billing@legenetclearing.com. We will then be able to get your payment to you.

The "re:" line of the e-mail is entitled: "150 September billing Invoice."

13. In an October 9, 2011 e-mail, Reeves responded to the e-mail by attaching a completed Accounting Questionnaire, containing information, including routing and account numbers, to have the funds wired to a bank account maintained by ACFGI, a company owned, in part, and controlled by Reeves.

14. On October 12, 2011, using information from the Accounting Questionnaire completed by Reeves three days earlier, Legent wired \$59,704.93 to ACFGI's bank account.

15. Prior to the wire, ACFGI's account had a balance of less than \$200.

16. In mid to late-October, Reeves learned that the funds had been wired into ACFGI's account. He did not inquire about the source of the funds.

17. By the end of October, Reeves had written checks from the account totaling \$55,182.36 and had made electronic payments from the account totaling \$3,389.69.

18. Reeves knew that the \$59,704.93 did not belong to him, but he nevertheless used the funds for personal purposes.

19. In November 2011, HWJ repeatedly demanded of Reeves that he return its funds.

20. To date, Reeves has repaid \$31,000 of the \$59,704.93 that he received.

CAUSE OF ACTION
(Conversion – FINRA Rule 2010)

21. The Department realleges and incorporates by reference paragraphs 1 through 20 above.

22. FINRA Rule 2010 requires associated persons, in the conduct of their business, to “observe high standards of commercial honor and just and equitable principles of trade.”

23. By using funds which he knew did not belong to him for personal purposes, Reeves converted the funds and violated Rule 2010.

RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Reeves committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a) be imposed, including that Reeves be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest; and
- C. order that Reeves bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Dated: May 29, 2012



Michael A. Gross, Esq.
Senior Regional Counsel
Authorized House Counsel
Member of OH Bar Only
FINRA – Department of Enforcement
Crystal Corporate Center
2500 N. Military Trail, Suite 302
Boca Raton, FL 33431-6324
(561) 443-8125; (561) 443-7998 (fax)
michael.gross@finra.org

David B. Klafter, Esq.
Acting Regional Chief Counsel
Authorized House Counsel
Member of NY and NJ Bars Only
FINRA – Department of Enforcement
Crystal Corporate Center
2500 N. Military Trail, Suite 302
Boca Raton, FL 33431-6324
(561) 443-8110; (561) 443-7998 (fax)
david.klafter@finra.org