

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

Department of Enforcement,

Complainant,

v.

Charles Robert Cobb  
(CRD No. 1505020),

and

Curtis Michael Worrell  
(CRD No. 1084980),

Respondents.

Disciplinary Proceeding  
No. 2012032740401

Hearing Officer: LOM

**ORDER ACCEPTING OFFER OF  
SETTLEMENT**

Date: April 19, 2016

**INTRODUCTION**

Disciplinary Proceeding No. 2012032740401 was filed on September 3, 2015 by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Curtis Michael Worrell (Respondent) submitted an Offer of Settlement (Offer) to Complainant dated April 11, 2016. 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 sanction 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**

1. Respondent first became registered with FINRA as an Investment Company Products/Variable Contracts Representative in January 1983 and additionally as a Direct Participation Programs Representative in September 1983. Between January 2008 and October 2008, Respondent was registered in that capacity through Madison Avenue. On June 29, 2012, Madison Avenue filed a Uniform Termination Notice for Securities Industry Registration ("Form U5") terminating Respondent's registration for recommending "products to customers that were not on the firm's list of approved products without notifying the firm or receiving approval prior to conducting this activity." Since August 2012, Respondent has been registered with FINRA through other member firms.

2. Under Article V of the FINRA By-Laws, FINRA possesses jurisdiction over Respondent for purposes of this proceeding because: (a) he currently is associated with a member firm and registered with FINRA through that firm; and (b) the Complaint charges him with misconduct committed while he was registered with FINRA and associated with another FINRA member.

## **FINDINGS AND CONCLUSIONS**

It has been determined that the Offer be accepted and that findings be made as follows. The findings herein are pursuant to Respondent Curtis Michael Worrell's Offer of Settlement and are not binding on any other person or entity named as a respondent in this or any other proceeding.

### **SUMMARY**

3. From January 2008 through October 2008, while registered with FINRA member firm Madison Avenue Securities, Inc. ("Madison Avenue" or the "Firm"), and acting outside the scope of his employment with the Firm, Respondent participated in nine private securities transactions totaling \$1,179,885 in sales, from which he received \$46,492 in selling compensation, without providing prior notice to Madison Avenue of his proposed roles in, or the selling compensation that he may receive from, the transactions.

4. Furthermore, on his 2008 Annual Compliance Acknowledgement, Respondent falsely stated that he had not engaged in any private securities transactions away from Madison Avenue. As a result of the foregoing, Respondent violated NASD Conduct Rules 3040 and 2110 and FINRA Rule 2010.

### **BACKGROUND**

#### *DLG*

5. Diversified Lending Group, Inc. ("DLG") was a California corporation, formed in or about May 2004, that purported to be in the business of acquiring and operating income-producing properties.

6. DLG offered promissory notes in the form of one-year or five-year "Secured Investment Notes" that guaranteed rates of return of 9% or 12% per year (the "DLG notes").

7. Each DLG note was sold through a uniquely numbered contract, which specified the investment amount, the issue date, the end date, the “guaranteed period” of one or five years, and the “guaranteed rate” of return over that period.

8. The DLG notes are securities.

9. DLG was a multi-million dollar Ponzi scheme. On or about March 4, 2009, the Securities and Exchange Commission (the “SEC”) filed a lawsuit in the United States District Court for the Central District of California (the “District Court”) entitled, *Securities and Exchange Commission v. Diversified Lending Group, Inc., et al.*, Case No. CV 09-01533-R-JTLx, alleging that DLG was a securities fraud involving the diversion of a substantial amount of investor money by DLG to undisclosed ventures and the misappropriation of millions of dollars for the personal use of DLG’s principal, Bruce Friedman.

10. On the same day that the SEC filed its Complaint, the District Court froze DLG’s assets and appointed a Receiver.

11. On August 24, 2009, Bruce Friedman submitted a signed consent agreement in the matter of *Securities and Exchange Commission v. Diversified Lending Group, Inc., et al.*, in which Friedman agreed that DLG was precluded from arguing that it did not violate the federal securities laws as alleged in the SEC Complaint. On August 25, 2009, the District Court ordered a Judgment of Permanent Injunction and Other Relief against Friedman reflecting the contents of his signed agreement.

*CMC*

12. Carr Miller Capital, LLC (“CMC”) was a New Jersey limited liability company (“LLC”) formed in 2006.

13. Carr Miller Capital Investments, LLC ("CMCI"), also a New Jersey LLC, was a state-regulated investment advisor firm that CMC used to solicit and refer investors to CMC.

14. CMCI, its agents, and others offered and sold promissory notes entitled "Commercial Notes" ("CMC notes") to investors. The CMC notes each had a term of nine months and offered rates of return ranging from 4% to 20%.

15. The CMC notes are securities.

16. CMC was a multi-million dollar Ponzi scheme and investment fraud. On December 15, 2010, in the Superior Court of New Jersey, Essex County (the "Superior Court"), the New Jersey State Bureau of Securities filed suit against CMC, CMCI, and its three principals for their alleged use of a Ponzi scheme and other methods to defraud investors of over \$40 million.

17. On October 3, 2013, the Superior Court found that CMC was operated as a Ponzi scheme and that CMC employed a device, scheme, or artifice to defraud investors. The Superior Court granted summary judgment against CMC and, among other rulings, found CMC jointly liable for \$29.8 million in restitution to victim investors.

**FIRST CAUSE OF ACTION  
Private Securities Transactions – DLG Notes  
(NASD Conduct Rules 3040 and 2110)**

18. The Department realleges and incorporates by reference paragraphs 1 through 17 above.

19. NASD Conduct Rule 3040 states, in pertinent part, that "[p]rior to participating in any private securities transaction, an associated person shall provide written notice to the member with which he is associated describing in detail the proposed transaction and the

person's role therein and stating whether he has received or may receive selling compensation in connection with the transaction."

*Respondent Participated in Sales of DLG Notes to Investors and  
Received Commissions for Such Sales*

20. Respondent participated in the following sales of DLG notes to investors:
- a. On or about January 10, 2008, Respondent participated in the sale of a DLG note to SW, a customer of the Firm, in the amount of \$175,000, and Respondent received a commission in the amount of \$8,313 for that sale. Respondent participated in the sale of this note by, among other things, introducing the investment to SW and recommending it to him.
  - b. On or about January 25, 2008, Respondent participated in the sale of a DLG note to GJ, a customer of the Firm, in the amount of \$100,000, and Respondent received a commission in the amount of \$4,750 for that sale. Respondent participated in the sale of this note by, among other things, introducing the investment to GJ and recommending it to her.
  - c. On or about February 4, 2008, Respondent participated in the sale of a DLG note to JB, a customer of the Firm, in the amount of \$200,000, and Respondent received a commission in the amount of \$9,500 for that sale. Respondent participated in the sale of this note by, among other things, introducing the investment to JB and recommending it to him.
  - d. On or about February 4, 2008, Respondent participated in the sale of a DLG note to DD, a customer of the Firm, in the amount of \$60,000, and Respondent received a commission in the amount of \$2,850 for that sale.

Respondent participated in the sale of this note by, among other things, introducing the investment to DD and recommending it to him.

- e. On or about February 19, 2008, Respondent participated in the sale of a DLG note to GG, a customer of the Firm, in the amount of \$50,000, and Respondent received a commission in the amount of \$2,375 for that sale.

Respondent participated in the sale of this note by, among other things, introducing the investment to GG and recommending it to him.

- f. On or about March 3, 2008, Respondent participated in the sale of a DLG note to HH in the amount of \$287,610, and Respondent received a commission in the amount of \$13,661 for that sale. Respondent participated in the sale of this note by, among other things, introducing the investment to HH and recommending it to him.

- 21. In addition, on or about January 25, 2008, Respondent personally invested \$49,000 in a DLG note and received a commission in the amount of \$2,328 for that investment.

*Respondent Failed to Provide Madison Avenue  
with Prior Written Disclosure of His Sales of DLG Notes*

- 22. DLG notes were not approved for sale by Madison Avenue and were not available for sale through the Firm.

- 23. Respondent did not give prior written notice, or any notice at all, to Madison Avenue of his intention to participate in the sales of DLG notes.

- 24. Respondent did not notify Madison Avenue in any manner that he had participated in the sale of DLG notes.

- 25. By reason of the foregoing conduct, Respondent violated NASD Conduct Rules 3040 and 2110.

**SECOND CAUSE OF ACTION**  
**Private Securities Transactions – CMC Notes**  
**(NASD Conduct Rules 3040 and 2110)**

26. The Department realleges and incorporates by reference paragraphs 1 through 17 and 19 above.

*Respondent Participated in the Sales of CMC Notes to Investors and  
Received Commissions for Such Sales*

27. In or about September or October 2008, Respondent participated in the sale of a CMC note to GG, a customer of the Firm, in the amount of \$50,000, and Respondent received a commission in the amount of \$525 for that sale. Respondent participated in the sale of this note by, among other things, introducing the investment to GG and recommending it to him.

28. On or about October 1, 2008 Respondent participated in the sale of a CMC note to JB, a customer of the Firm, in the amount of \$208,275, and Respondent received a commission in the amount of \$2,190 for that sale. Respondent participated in the sale of this note by, among other things, introducing the investment to JB and recommending it to him.

*Respondent Failed To Provide Madison Avenue  
with Prior Written Notice of His Sales of CMC Notes*

29. CMC notes were not approved for sale by Madison Avenue and were not available for sale through the Firm.

30. Respondent did not give prior written notice, or any notice at all, to Madison Avenue of his intention to participate in the sale of CMC notes.

31. Respondent did not notify Madison Avenue in any manner that he had participated in the sale of CMC notes.

32. By reason of the foregoing conduct, Respondent violated NASD Conduct Rules 3040 and 2110.

**THIRD CAUSE OF ACTION  
Material Misrepresentation  
(FINRA Rule 2010)**

33. The Department realleges and incorporates by reference paragraphs 1 through 32 above.

34. On or about December 22, 2008, Respondent completed a 2008 Annual Compliance Acknowledgement for Madison Avenue and submitted it to the Firm.

35. On the 2008 Annual Compliance Acknowledgement, Respondent falsely stated that he had not engaged in any private securities transactions away from Madison Avenue. Respondent failed to report to Madison Avenue that he had sold DLG and CMC notes away from the Firm.

36. By reason of the foregoing conduct, Respondent violated FINRA Rule 2010.

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 in any capacity for one year;
- Fined \$5,000; and
- Disgorged of commissions, ordered to be paid to FINRA in the amount of \$44,164 plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621, from October 1, 2008 until the date this Offer is accepted by the NAC.

Respondent agrees to pay the monetary sanctions upon notice that this Offer has been accepted and that such payments are due and payable. Respondent has submitted an Election of Payment form showing the method by which he proposes to pay the fine 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



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