

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012034750401**

**TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")**

**RE: Dennis Keith Karasik, Respondent
Registered Representative
CRD No. 1227463**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, without admitting or denying the findings, 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, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Karasik was employed by seven firms in the securities industry from 1986 through February 27, 2013. During the times relevant to this matter, he was registered with Multi-Financial Securities Corp. (until Dec. 31, 2011), and with H. Beck, Inc. (from January 5, 2012 until February 27, 2013). Karasik maintained his office in Parkton, Maryland. He was dismissed by H. Beck for the conduct underlying this matter. Karasik held Series 7 and Series 66 securities licenses. Karasik was also a partner, along with another individual, in an independent financial services business, Carrio, Karasik & Associates (CKA).

RELEVANT DISCIPLINARY HISTORY

None.

OVERVIEW

From December 2010 to March 2012, Karasik participated in private securities transactions without providing prior written notice to the two firms with which he was associated. Specifically, Karasik participated in the offer and sale of bonds issued by Diversified Energy Group, Inc. (DEG), a domestic energy company, and received finder's fees from DEG as a result of these sales. Karasik failed to provide the notice required under NASD Rule 3040 to his employing firms, and falsely certified to one firm that he had not engaged in any private securities transactions without first receiving approval from the firm.

Karasik also provided false information to FINRA in response to a request for information and in testimony. Karasik submitted a letter to FINRA in response to a Rule 8210 request in which he asserted that he did not recommend the purchase of DEG bonds and did not receive any compensation for sales of DEG bonds. He provided the same false information to H. Beck in response to inquiries about a lawsuit filed against him by a customer who had purchased DEG bonds. The firm included the false information on Karasik's amended Form U4. In testimony before FINRA, Karasik falsely denied that he had been involved in sales of DEG bonds and had received compensation for those sales from DEG.

FACTS AND VIOLATIVE CONDUCT

Karasik's Sale of DEG Bonds

DEG is a Florida-based energy company involved in developing domestic oil and gas reserves in the United States. It has raised funds through private placement offerings of corporate bonds to accredited investors. In April 2012, DEG implemented a debt restructuring plan which significantly reduced the interest rate and extended the repayment timeline for the bonds.

Between January 2010 and March 2012, Karasik and his partner in CKA participated in the sale of more than \$3.2 million of DEG bonds to at least 25 investors, some of whom were also his brokerage customers. Karasik told many of the investors about DEG and discussed the benefits and features of the bonds with them. Karasik was compensated for his role in these sales through the payment of a finder's fee, which was paid to CKA.

Karasik and his partner set up their arrangement with DEG in a manner that hid Karasik's participation in, and compensation for, the sales. Karasik's partner entered into a formal selling agreement with DEG without identifying Karasik as a seller. Beginning in November 2010, Karasik's partner directed DEG to pay 50% of the finder's fees they generated to himself personally, and 50% to CKA. Karasik personally withdrew most of the DEG proceeds deposited into the CKA bank account – more than \$115,000 – by writing checks to himself, often a day or two after the deposit by DEG.

Non-disclosure and Inaccurate Disclosure of Karasik's Outside Activities

NASD Rule 3040 requires an associated person to provide his or her employer with written notice of private securities transactions before participating in any manner in those transactions. If, as here, the associated person is being compensated for the transactions, the associated person may not engage in the transactions unless and until the employer gives its prior approval in writing.

Karasik failed to disclose his participation in the sales of DEG bonds to either of the firms with which he was registered when he sold those bonds, Multi-Financial Securities and H. Beck. By failing to do so, he violated NASD Rule 3040 and FINRA Rule 2010. In addition, he falsely answered "No" on his 2010 and 2011 Multi-Financial Securities Annual Business Questionnaire to the question asking whether he had engaged in private securities transactions (including introducing, discussing, contacting, or referring clients or prospects to third parties seeking investors) without receiving prior written approval. By doing so, Karasik violated FINRA Conduct Rule 2010.

Karasik also failed to provide accurate information to H. Beck regarding CKA. He portrayed CKA on an Outside Business Activity Disclosure Form as not being investment related. However, as depicted in publicly-available marketing materials, CKA provided various investment-related services. By providing false information about CKA to his firm and concealing its investment-related nature, Karasik violated FINRA Rule 2010.

False Responses to Inquiries

In October 2012, a lawsuit was filed against Karasik by three customers who had purchased DEG bonds on Karasik's recommendation. The customers alleged that Karasik made unsuitable recommendations of DEG and engaged in private securities transactions. H. Beck sent Karasik a draft Form U4 amendment to disclose the lawsuit, and asked Karasik to respond with his comments. Karasik provided a response inaccurately stating that he "did not make the recommendation nor was I compensated." H. Beck amended Karasik's Form U4 on October 25, 2012, and included this response. However, the information was false. Karasik had recommended the purchase of the bonds and had been paid a finder's fee in connection with the transaction. By providing false information to H. Beck, Karasik violated FINRA Rule 2010.

On November 16, 2012, FINRA requested, pursuant to FINRA Rule 8210, a signed statement from Karasik addressing allegations by three individuals of unsuitable recommendations, misrepresentations, and negligence in the sale of DEG bonds. By letter dated November 27, 2012 to FINRA, Karasik stated that he "did not make the recommendation nor did I receive any compensation." This information was false. In fact, Karasik had recommended that these individuals

purchase DEG bonds, and he received compensation in the form of finder's fees from DEG after these individuals purchased the bonds. By responding falsely to the staff's inquiry, Karasik violated FINRA Rules 8210 and 2010.

Karasik also provided false testimony to FINRA about his role in the sales of the DEG bonds and his receipt of compensation from DEG. In testimony, Karasik falsely denied promoting the bonds to potential investors, denied preparing paperwork or assisting in the preparation of paperwork for bond investments, and denied providing materials about the bonds to customers. By providing false testimony, Karasik violated FINRA Rules 8210 and 2010.

- B. I also consent to the imposition of the following sanction: a bar from association with any FINRA member.

Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms

and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

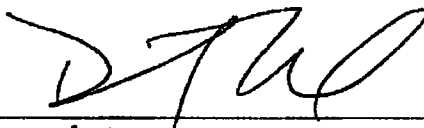
OTHER MATTERS

I understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me [the Firm] to submit it.

6-27-14
Date


Respondent

Reviewed by:

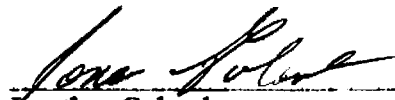


Cornelius Carmody
Counsel for Respondent
Hereford Center, Suite 201
1940 York Road
Monkton, MD 21111

Accepted by FINRA:

July 9, 2014
Date

Signed on behalf of the
Director of ODA, by delegated authority


Jonathan Golomb
Senior Special Counsel
FINRA Department of Enforcement
15200 Omega Drive
Rockville, MD 20850