

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Norma M. Skeete (CRD No. 1175911),

Respondent.

DISCIPLINARY PROCEEDING
No. 2013036555501

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. From March 2011 to July 2011 Respondent, in violation of FINRA Rule 2010, made negligent misrepresentations to JA, a customer of her member firm, in connection with a loan that JA made to a real estate venture.

RESPONDENT AND JURISDICTION

2. Respondent was associated with PFS Investments Inc. (the "Firm"), a FINRA regulated broker-dealer, from 1984 to 2011.
3. Respondent obtained her Series 6 and Series 63 licenses in 1983, her Series 7 license in 1984 and her Series 24 license in 1985.
4. Respondent voluntarily terminated her association with the Firm in October 2011, and she is not currently associated with a FINRA regulated broker-dealer.

5. On April 9, 2013, the Firm filed an amended Form U5 disclosing a complaint by customer JA alleging that Respondent convinced him to loan money to a third party for a non-Firm related real estate investment that had no risk and guaranteed a ten percent return.
6. Although Respondent is no longer registered or associated with a FINRA member, she remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years of the April 9, 2013 filing of an amended Form U5 which disclosed that Respondent may have engaged in actionable misconduct, and (2) the Complaint charges her with misconduct committed while she was registered or associated with a FINRA member.

CAUSE OF ACTION

(Negligent Misrepresentation (FINRA Rule 2010))

7. The Department realleges and incorporates by reference paragraphs 1-6 above.
8. FINRA Rule 2010 requires associated persons to observe high standards of commercial honor and just and equitable principles of trade. A registered representative who negligently makes statements relating to a business matter to a customer without a sufficient basis for such statements violates FINRA Rule 2010.
9. In 2010, while she was associated with the Firm, Respondent received an email solicitation from SA, a purported partner in a North Carolina company (the "Company"), who represented that the Company was looking for loan guarantors for commercial and residential properties. Over the next several months, Respondent

engaged in telephone conversations with SA and SA's partner, PK, and received cursory information about the Company, including that it would attempt to buy foreclosed properties at discount prices. Respondent did not know anyone who had prior dealings with the Company, and she did not conduct any investigation about the Company.

10. In March 2011, SA and PK asked Respondent if she knew anyone who could loan them approximately \$85,000 for a real estate venture. They represented that the loan, including 12% interest, would be repaid in May 2011. Following this conversation, Respondent identified Firm customer JA, who had previously invested in real estate, as a potential lender for the real estate venture.

11. On or about March 31, 2011, Respondent told JA that two men in North Carolina were looking for a loan of \$85,000 until May 15, 2011 and that the borrowers would repay the loan, plus 12%, in approximately five weeks. Respondent stated that the purpose of the loan was to buy bank repossessed real property which thereafter would be sold at a profit. In describing the loan with JA, Respondent relied solely on general information she received from SA and PK and was unfamiliar with the loan's purpose. JA agreed to loan the \$85,000.

12. When Respondent told PK that JA had agreed to loan \$85,000, PK stated that Respondent was mistaken about the loan amount, and in fact they needed a loan of \$160,000. Though PK initially told Respondent that the amount of the loan was \$85,000, she emailed JA on or about April 1, 2011 to tell him that the amount required was \$160,000. She wrote in the same email to JA that the money would be

“safe” and that \$179,200 would be returned to him in mid-May 2011. JA agreed to loan the increased amount.

13. In late April 2011, JA sought an update about his loan from Respondent. After checking with SA and/or PK, Respondent told JA in an email dated April 30, 2011 that “things are going according to plan” and that the deal would close by May 27, 2011.

14. On or about May 27, 2011, Respondent told JA that the deal had been delayed but that his funds were “not in jeopardy” and that he was “absolutely going to be reimbursed exactly as [she] said.” Respondent did not have any basis for making these statements.

15. Throughout June and July 2011, PK told Respondent that the deal for which they needed JA’s loan was delayed. Based solely on a conversation with PK, Respondent told JA in a July 16, 2011 email that the deal should be completed by the end of July and that “[it] is going to happen-no question.”

16. Contrary to Respondent’s representations, JA’s funds were not safe and he was not repaid. In late July, after JA’s loan had still not been repaid and Respondent ceased getting definite responses from PK, Respondent realized that JA had been the victim of a scam. JA never recovered his funds and lost \$160,000.

17. Respondent negligently made the misrepresentations set forth above about JA’s loan without making reasonable attempts to verify what she told JA. Respondent relied solely on representations by SA and PK and did not take any independent steps to understand how the loans would be documented, where the funds were held, who

held the funds, whether SA and PK had taken any steps to secure the real estate, or how JA would be repaid. Respondent did not request or review any documentation in connection with the loan. Respondent had no reasonable basis to believe that JA's funds were safe or that his return was guaranteed.

18. As a result of the foregoing conduct, Respondent violated FINRA Rule 2010. Each of the misrepresentations detailed in paragraphs 11-15 above constitute separate and distinct violations of FINRA Rule 2010.

RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondent(s) 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; and
- C. order that Respondent(s) 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: 3/23/15



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