

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

Department of Enforcement,

Complainant,

v.

Charles Thomas Stevens (CRD No. 1698058),

Respondent.

Disciplinary Proceeding
No. 2017056627801

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. From February 2006 through February 2020, while associated with two FINRA member firms, Respondent Charles Thomas Stevens willfully failed to amend his Uniform Application for Securities Industry Registration or Transfer (Form U4) to disclose, or to timely amend his Form U4 to disclose, 19 unsatisfied federal tax liens. He also willfully failed to disclose an unsatisfied 2015 judgment against him in the amount of \$634,387.65. As a result, Stevens violated Article V, Section 2(c) of FINRA's By-Laws and FINRA Rules 1122 and 2010.
2. Stevens also made false statements to his member firm employer regarding his tax liens and judgment in annual certifications he completed in 2016, 2017, and 2018. As a result, Stevens violated FINRA Rule 2010.
3. Additionally, Stevens failed to appear and provide on-the-record testimony requested by Enforcement pursuant to FINRA Rule 8210, in connection with its investigation into Stevens's failure to timely update his Form U4. As a result, Stevens violated FINRA Rules 8210 and 2010.

RESPONDENT AND JURISDICTION

4. Stevens entered the securities industry in June 1987 when he became registered with FINRA as a General Securities Representative (GSR) through an association with NY Life Securities, LLC (NY Life), a FINRA member firm.

5. In a May 24, 2006 Uniform Termination Notice of Securities Registration (Form U5), NY Life reported the termination of Stevens's association with the firm.

6. In June 2006, Stevens became registered with FINRA as a GSR through an association with D.H. Hill Securities, LLLP (D.H. Hill), a FINRA member firm.

7. In a February 5, 2020 Form U5, D.H. Hill reported the voluntary termination of Stevens's association with the firm.

8. Stevens has not been registered with FINRA through, or associated with, any FINRA member firm since the termination of his association with D.H. Hill.

9. Although Stevens is no longer registered or associated with a FINRA member firm, 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) the Complaint was filed within two years after February 5, 2020, which was the effective date of termination of Respondent's registration with FINRA through D.H. Hill; (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member firm; and (3) the Complaint charges him with failing to appear for on-the-record testimony during the two-year period after the date on which he ceased to be registered or associated with a FINRA member.

FIRST CAUSE OF ACTION

Willful Failure to Disclose or Timely Disclose Reportable Events on His Form U4 (Violation of Article V, Section 2(c) of FINRA's By-Laws and FINRA Rules 1122 and 2010)

10. Enforcement realleges and incorporates by reference all preceding paragraphs.

11. Article V, Section 2(c) of FINRA's By-Laws requires registered representatives to keep their Form U4s "current at all times," and provides that amendments to a Form U4 must be filed "not later than thirty days after learning of the facts or circumstances giving rise to the amendment."

12. Registered representatives are required to disclose unsatisfied judgments and liens on their Form U4. Specifically, Question 14M of the Form U4 asks registered representatives, "Do you have any unsatisfied judgments or liens against you?" If a registered representative answers yes to Question 14M, then he or she is also required to provide detailed information about each unsatisfied judgment or lien, including the amount and filing date of the reportable event.

13. FINRA Rule 1122 prohibits members or associated persons from filing with FINRA information regarding registration "which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail[ing] to correct such filing after notice thereof."

14. FINRA Rule 2010 requires registered representatives to "observe high standards of commercial honor and just and equitable principles of trade."

15. A violation of Article V, Section 2(c) of FINRA's By-Laws and FINRA Rule 1122 is also a violation of FINRA Rule 2010.

The Federal Tax Liens

16. Between January 2006 and April 2018, the Department of the Treasury, Internal Revenue Service (IRS), filed 19 liens against Stevens representing his unpaid tax liabilities for the tax years 1998 through 2006 and 2009 through 2013 (the Liens). The Liens are detailed in

Exhibit A, a copy of which is annexed hereto and incorporated herein by reference.

17. Stevens learned of the Liens on or around the date the Liens were recorded (*see* Exhibit A).

18. Stevens never disclosed Liens 8, 17, and 19 on his Form U4.

19. Although Stevens disclosed Liens 1 through 7, 9 through 16, and 18, his disclosures were not timely and often years late (*see* Exhibit A).

20. Stevens's disclosures regarding the Liens or their status were also incomplete or inaccurate, resulting in, at a minimum, potentially misleading information on his Form U4:

a. On March 17, 2006, Stevens belatedly disclosed Lien 1 in an amended Form U4 (*see* Exhibit A). On November 29, 2006, Stevens amended his Form U4 to state that he had no unsatisfied judgments or liens and that Lien 1 was "currently pending-no IRS judgement [*sic*] or tax lien at this time." Then on July 23, 2007, Stevens removed Lien 1 from his Form U4 and made no further disclosures regarding Lien 1 on his Form U4 until February 2018, even though it was not satisfied and released until December 2015.

b. On October 6, 2016, Stevens belatedly disclosed Liens 5 through 7 and 9 through 11 in an amended Form U4. However, Stevens inaccurately reported that he did not have any unsatisfied judgments or liens against him. He also inaccurately reported that Liens 5 through 7 were released and provided incorrect dates for when Liens 9 through 11 were released. Five days later, Stevens removed Liens 5 through 7 from his Form U4 and then made no further disclosures regarding Liens 5 through 7 on his Form U4 even though the liens were not satisfied.

c. In an amended Form U4 filed on February 14, 2018, Stevens re-disclosed Lien 1 and – for the first time – disclosed Liens 2 through 4 and 12 through 16. Stevens again

inaccurately reported that he did not have any unsatisfied judgments or liens. He also again inaccurately reported that certain liens, specifically Liens 2 through 4, were released or discharged. One day later, Stevens amended his Form U4 to state that there were unsatisfied judgments and liens filed against him, but he also removed Liens 2 through 4 from his Form U4 and made no further disclosures regarding Liens 2 through 4 until April 2018.

d. In a Form U4 amendment filed on April 2, 2018, Stevens re-disclosed Lien 4 and disclosed for the first time Lien 18. Stevens represented that the Liens 4 and 18 were released or discharged when in fact they had not been released or discharged by the IRS.

The Consent Judgment

21. In April 2013, the IRS filed a complaint against Stevens seeking a judgment for Stevens's unpaid federal income taxes for tax years 1998 through 2006 and 2009, and to foreclose on Liens 1, 2, 4, 5, and 7 related to several pieces of real property he owned.

22. On January 28, 2015, the court entered a Consent Judgment providing that Stevens owed the United States \$634,387.65 in unpaid federal income taxes (the Consent Judgment).

23. Stevens learned of the Consent Judgment on or about January 28, 2015, but never disclosed the Consent Judgment on his Form U4.

24. The existence of the Liens and the Consent Judgment was material information, and Stevens's failure to disclose the Liens and the Consent Judgment on his Form U4 was willful.

25. By willfully failing to timely amend his Form U4 to disclose the Liens and Consent Judgment, Stevens violated Article V, Section 2(c) of FINRA's By-Laws and FINRA Rules 1122 and 2010.

SECOND CAUSE OF ACTION
False Statements to Member Firm Employer
(Violation of FINRA Rule 2010)

26. Enforcement realleges and incorporates by reference all preceding paragraphs.

27. FINRA Rule 2010 requires members and associated persons to “observe high standards of commercial honor and just and equitable principles of trade.”

28. Making false and inaccurate statements to a member-firm employer violates FINRA Rule 2010.

29. In a December 2016 compliance questionnaire, D.H. Hill asked Stevens if the information contained in his Form U4 was accurate. Stevens responded “yes.” D.H. Hill also asked if he had any liens filed against him that had not been reported on his Form U4. Stevens responded “no.”

30. Stevens’s responses were false because, at the time he completed the questionnaire, Stevens knew that the Consent Judgment, Liens 2 through 8, and Liens 12 through 14 were not disclosed on his Form U4.

31. In a December 2017 compliance questionnaire, D.H. Hill asked Stevens if he had any liens filed against him that had not been reported on his Form U4. Stevens responded “no.”

32. Stevens’s response was false because, at the time he completed the questionnaire, Stevens knew that the Consent Judgment, Liens 2 through 7, and Liens 12 through 16 were not disclosed on his Form U4.

33. In a December 2018 compliance questionnaire, D.H. Hill asked Stevens if he had any liens filed against him that had not been reported on his Form U4. Stevens responded “no.” D.H. Hill also asked if the information contained in his Form U4 was accurate. Stevens responded “yes.”

34. Stevens's responses were false because, at the time he completed the questionnaire, Stevens knew that the Consent Judgment, Liens 2 and 3, Liens 5 through 7, and Liens 17 and 19 still were unsatisfied and not disclosed on his Form U4, and that Lien 17 remained unsatisfied.

35. By making false and inaccurate statements to D.H. Hill, Stevens violated FINRA Rule 2010.

THIRD CAUSE OF ACTION

Failure to Appear and Provide Testimony (Violation of FINRA Rules 8210 and 2010)

36. Enforcement realleges and incorporates by reference all preceding paragraphs.

37. FINRA Rule 8210(a) requires a "person subject to FINRA's jurisdiction to provide information orally, in writing, or electronically . . . with respect to any matter involved in [an] investigation."

38. FINRA Rule 8210(c) provides that "[n]o member or person shall fail to provide information or testimony . . . pursuant to this Rule."

39. A failure to comply with a request for testimony pursuant to FINRA Rule 8210 is also a violation of FINRA Rule 2010.

40. On April 16, 2020, Enforcement sent Stevens a request pursuant to FINRA Rule 8210 requiring him to appear by videoconference and provide on-the-record testimony on May 1, 2020. The April 16 Rule 8210 request was sent to Stevens's last known residential address as reflected in the Central Registration Depository (CRD address) via Federal Express and first class mail.

41. Stevens emailed Enforcement on April 24, 2020, representing he was unavailable on May 1, 2020.

42. Enforcement rescheduled Stevens's testimony, and on June 2 and June 10, 2020, sent

Stevens requests pursuant to FINRA Rule 8210 requiring him to appear by videoconference and provide on-the-record testimony on June 17, 2020. The June 2 Rule 8210 request was sent to Stevens's CRD address via Certified Mail, Return Receipt Requested and first class mail; the June 10 Rule 8210 request was sent to Stevens's CRD address via Federal Express and first class mail.

43. Stevens emailed Enforcement on June 11, 2020, that he would be "out of town from the 16th to the 22nd."

44. On June 15, 2020, Enforcement sent Stevens a request pursuant to FINRA Rule 8210 requiring him to appear by videoconference and provide on-the-record testimony at 9:30 a.m. on June 25, 2020 (the June 15 Rule 8210 OTR Request).

45. The June 15 Rule 8210 OTR Request was sent to Stevens's CRD address via Federal Express and first class mail, and to his personal email address. The copy sent by Federal Express was delivered on June 24, 2020 and signed for by C. Stevens. The copy sent by first class mail to Stevens's CRD address was not returned to Enforcement, and the copy sent to Stevens's personal email was not returned to Enforcement as undeliverable.

46. Stevens did not appear for his scheduled testimony on June 25, 2020.

47. Stevens first informed Enforcement that he was not available to appear for his scheduled testimony at 9:28 a.m. on June 25 via an email stating, "Will not be abvailable [sic]."

48. On June 25, 2020, Enforcement sent another request to Stevens pursuant to FINRA Rule 8210 requiring him to appear by videoconference and provide on-the-record testimony on July 14, 2020 (the June 25 Rule 8210 OTR Request).

49. The June 25 Rule 8210 OTR Request was sent to Stevens's CRD address via Federal Express and first class mail, and to his personal email address. The copy sent by Federal Express

was delivered on June 26, 2020 and signed for by C. Stevens. The copy sent by first class mail to Stevens's CRD address was not returned to Enforcement, and the copy sent to Stevens's personal email was not returned to Enforcement as undeliverable.

50. Stevens did not appear for his scheduled testimony or otherwise request an extension of the deadline to appear.

51. Although Stevens was properly served with both the June 15 and June 25 Rule 8210 OTR Requests, Stevens did not appear for his scheduled testimony on June 25, 2020, or July 14, 2020.

52. Stevens's testimony was material to Enforcement's investigation of Stevens's failure to disclose, or timely disclose, the Liens and Consent Judgment.

53. By failing to appear for testimony as requested pursuant to FINRA Rule 8210, Stevens violated FINRA Rules 8210 and 2010.

RELIEF REQUESTED

WHEREFORE, Enforcement 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 bears such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330; and
- D. make specific findings that Respondent's conduct, as alleged in the First Cause of Action, was willful; that the omitted information was material; and that the omission to state material facts was on a Form U4.

FINRA DEPARTMENT OF ENFORCEMENT



Date: 12/1/2020

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EXHIBIT A

Lien ID#	Recorded Date	Lien Amount	Tax Years	Location	Date Form U4 Disclosure Required	Date of Form U4 Disclosure
1	1/24/2006	\$447,500	1998-2003	St. Johns County, FL	2/23/2006	3/17/2006 (removed 7/23/2007) 2/14/2018 (removed 2/15/2018)
2	5/31/2006	\$420,816.46	1998-2003	St. Johns County, FL	6/30/2006	2/14/2018 (removed 2/15/2018)
3	1/23/2008	\$421,205.02	1998-2003	Orange County, FL	2/22/2008	2/14/2018 (removed 2/15/2018)
4	1/27/2009	\$96,045.07	2004-2005	St. Johns County, FL	2/26/2009	2/14/2018 (removed 2/15/2018) 4/2/2018
5	6/9/2009	\$8,350.77	2006	St. Johns County, FL	7/9/2009	10/6/2016 (removed 10/11/2016)
6	2/17/2011	\$110,932.04	2004-2006	Orange County, FL	3/19/2011	10/6/2016 (removed 10/11/2016)
7	7/9/2012	\$4,389.75	2009	St. Johns County, FL	8/8/2012	10/6/2016 (removed 10/11/2016)
8	4/15/2013	\$215,977.17	1998-2000	Orange County, FL	5/15/2013	Not disclosed
9	4/16/2013	\$215,977.17	1998-2000	St. Johns County, FL	5/16/2013	10/6/2016 (removed 10/11/2016)

Lien ID#	Recorded Date	Lien Amount	Tax Years	Location	Date Form U4 Disclosure Required	Date of Form U4 Disclosure
10	11/5/2013	\$5,861.61	2010	St. Johns County, FL	12/5/2013	10/6/2016 (removed 10/11/2016)
11	5/27/2014	\$54,172.57	2002	St. Johns County, FL	6/26/2014	10/6/2016 (removed 10/11/2016)
Consent Judgment	1/28/2015	\$634,387.65	2000-2006, 2009	N/A	2/27/2015	Not disclosed
12	1/28/2015	\$25,662.77	2013	St. Johns County, FL	2/27/2015	2/14/2018
13	4/20/2015	\$74,768.51	2011-2012	St. Johns County, FL	5/20/2015	2/14/2018
14	8/30/2016	\$170,955.20	2000, 2003	St. Johns County, FL	9/29/2016	2/14/2018
15	3/28/2017	\$202,431.46	2000-2003	St. Johns County, FL	4/27/2017	2/14/2018
16	3/29/2017	\$202,431.46	2000-2003	Orange County, FL	4/28/2017	2/14/2018
17	3/5/2018	\$101,721.95	2004-2005	St. Johns County, FL	4/4/2018	Not disclosed
18	3/5/2018	\$110,932.04	2004-2006	Orange County, FL	4/4/2018	4/2/2018
19	4/16/2018	\$9,230.09	2006	St. Johns County, FL	5/16/2018	Not disclosed