

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

Department of Enforcement,

Complainant,

v.

Erik Patrick Pica
CRD No. 4829533,

Respondent.

Disciplinary Proceeding
No. 2019061947501

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. In February 2019, while registered through Joseph Stone Capital L.L.C. (CRD No. 159744) (“Joseph Stone” or the “Firm”), Respondent Erik Patrick Pica converted and misused \$200,000 from Customer A, an elderly customer. As set forth below, Customer A gave Pica \$200,000 to deposit into Customer A’s brokerage account at Joseph Stone. Pica directed Customer A to write a check for \$200,000 to “Light Capital Group,” a company wholly owned by Pica.¹ Then, instead of depositing the \$200,000 into Customer A’s brokerage account, as the customer intended, Pica transferred the money to his personal bank account, where he used it to fund the down payment on a home he purchased in his and his wife’s name. By converting and misusing \$200,000 of customer funds, Pica violated FINRA Rules 2150 and 2010, and separately and distinctly, violated FINRA Rule 2010.

¹ Although registered through Joseph Stone, Pica used the business name Light Capital Group to conduct his securities business.

2. In the ensuing months, Pica lied repeatedly, to both Customer A and Joseph Stone, about what he had done with Customer A's \$200,000. For example, when Customer A asked Pica in May 2019 what had become of his \$200,000, Pica told the customer, falsely, that he had put the money back into the customer's brokerage account. When Customer A again asked later that month what had happened to his check, Pica again lied, falsely claiming that he had not cashed the check. Moreover, on numerous occasions between February and May 2019, Pica falsely told his supervisor at Joseph Stone that he had not taken Customer A's money. By making false statements to Customer A and Joseph Stone, Pica violated FINRA Rule 2010.

3. Pica also violated FINRA Rule 2010 by providing false or misleading information to FINRA staff during FINRA's examination of Joseph Stone's branch office on May 15 and 16, 2019. Pica's personal office was locked when FINRA staff arrived on May 15, and Pica—the only person with a key to his office—told Joseph Stone that he could not come to the branch to grant FINRA access until the following day. However, after FINRA staff left Joseph Stone on the evening of May 15, Pica surreptitiously returned to the branch and entered his office. The next day, when FINRA staff returned to the branch, items on Pica's desk had been rearranged and removed. When questioned, Pica lied and told FINRA staff that he had not entered the Joseph Stone branch office on May 15.

4. In addition, Pica violated FINRA Rules 8210 and 2010 by providing false or misleading information to FINRA staff during on-the-record testimony. First, Pica falsely testified that he had not communicated with anyone from Joseph Stone on May 15 about when FINRA staff had left the branch office. In truth, Pica asked his supervisor—who arrived at the branch office during FINRA staff's examination—to call him when FINRA staff had left for the night. Second, Pica falsely testified that he never told Customer A that the \$200,000 had been

deposited into the customer's Joseph Stone brokerage account, when, in fact, he made that false claim to Customer A. Third, Pica falsely testified that he never told his supervisor that he had returned Customer A's money to Customer A, when, in fact, he repeatedly made that false claim to his supervisor.

5. Finally, Pica violated FINRA Rules 8210 and 2010 by refusing to produce documents and information requested by FINRA staff, including the mortgage application he submitted to the bank in connection with the home he and his wife purchased using Customer A's money.

RESPONDENT AND JURISDICTION

6. Pica first became registered as a General Securities Representative through an association with a FINRA member firm in October 2004.

7. Since April 2015, Pica has been registered with FINRA in that capacity through an association with Joseph Stone. Pica currently is, and at all times relevant to this Complaint was, registered with FINRA as a General Securities Representative through Joseph Stone.

8. In addition, at all times relevant to this Complaint, Pica conducted securities business through the business name Light Capital Group, of which he was the president and sole owner.

9. FINRA possesses jurisdiction over Pica because he currently is registered with FINRA and associated with a FINRA member firm.

FACTS

A. Pica's Relationship with Customer A

10. In May 2015, Customer A opened an IRA at Joseph Stone (the "IRA Account"). At the time, Customer A was 76 years old and retired.

11. In early 2016, Pica became the registered representative of record on Customer A's IRA Account.

12. In November 2016, Customer A opened a second brokerage account at Joseph Stone, which was an individual, non-qualified account. Pica was the registered representative of record on Customer A's individual account.

13. Thereafter, Pica solicited Customer A to transfer assets the customer held at multiple broker-dealers to Joseph Stone. By December 31, 2018, Customer A's two accounts at Joseph Stone had a total net portfolio value exceeding \$1 million.

14. Pica served as Customer A's registered representative on both of Customer A's accounts at Joseph Stone until May 2019, when Customer A transferred his accounts to another broker-dealer.

B. Pica Converted and Misused \$200,000 from Customer A's IRA Account

15. In or around January 2019, Pica recommended that Customer A invest in a private placement involving pre-IPO shares of a technology company. Pica advised Customer A that, in order to make funds available to invest in the private placement, Customer A needed to transfer money from the IRA Account to Customer A's personal bank account ("Customer A's Bank Account" or the "Bank Account").

16. Accordingly, on January 25, 2019, at Pica's direction, Customer A requested a distribution of \$200,000 from the IRA Account. The purpose of the distribution was to make funds available for Customer A to invest in the private placement that Pica had recommended. Joseph Stone transferred the \$200,000 into Customer A's Bank Account on January 31, 2019.

17. Shortly thereafter, Pica instructed Customer A to wire \$200,000 from his Bank Account to a bank account in the name of Light Capital Group (the "Light Capital Group Bank Account").

18. As a result, Customer A went to his bank to request a wire in the amount of \$200,000 from his Bank Account to the Light Capital Group Bank Account. On or about February 4, 2019, Customer A's bank refused to process the wire.

19. On or before February 7, 2019, Customer A informed Pica by telephone that his bank had refused to process the wire transfer and that, in any event, he had decided not to invest in the private placement. Pica then told Customer A that he would drive from New York, where Pica worked, to meet the customer in Maryland, where the customer lived.

20. On or about February 7, 2019, Pica met with Customer A near the customer's home in Maryland. At that meeting, Pica instructed Customer A to write a check for \$200,000 payable to Light Capital Group, which the customer did.

21. Customer A intended that the \$200,000 be returned to his Joseph Stone IRA Account. Customer A wrote the account number for his Joseph Stone IRA Account on the memo line of the \$200,000 check.

22. Pica did not at that time tell Joseph Stone that Customer A had decided not to invest in the private placement. Instead, on or around February 7, 2019, Pica requested that AG, his supervisor at Joseph Stone, send a private placement memorandum to Customer A.

23. Shortly thereafter, Pica told AG that Customer A had decided not to invest in the private placement and that Customer A had given him a check for \$200,000 that was payable to Light Capital Group. Pica told AG that he had not cashed the check and that, instead, he had returned it to Customer A.

24. In truth, Pica deposited the check into the Light Capital Group Bank Account on February 8, 2019. Immediately prior to the deposit, the account had a balance of \$12.34.

C. Pica Used Customer A's Money to Purchase a Home in His and His Wife's Names

25. On March 1, 2019, Pica wired \$199,000 from the Light Capital Group Bank Account to his personal bank account. Immediately prior to the deposit, Pica's personal bank account had a balance of \$1,807.63.

26. On March 25, 2019, Pica transferred approximately \$209,000 from his personal bank account to pay for the down payment and closing costs of a purchase by Pica and his wife of a home located in Little Silver, New Jersey (the "Little Silver House").

27. Pica had entered into a purchase and sale agreement for the Little Silver House in or around July 2018. Pursuant to the agreement, the purchase price for the house was \$985,000, and Pica had put down \$20,000 as an initial deposit. The purchase and sale agreement required that Pica pay an additional deposit of \$200,000 at the closing.

28. Pica did not have sufficient funds to pay for the down payment due at closing, and he was therefore in danger of losing the house and his initial deposit.

29. On March 25, 2019, Pica and his wife received a deed to the Little Silver House, which conferred ownership of the Little Silver House to Pica and his wife, for total consideration of \$985,000. At the same time, Pica and his wife entered into a mortgage agreement for the Little Silver House. Pursuant to the mortgage agreement, Pica and his wife received a loan of \$788,000 to finance their purchase of the Little Silver House. In the mortgage agreement, Pica and his wife agreed that they "shall occupy, establish and use the Property as [their] principal residence within 60 days after the execution of the [mortgage agreement] and shall continue to occupy the Property as [their] principal residence for at least one year after the date of occupancy, unless [the mortgagor] otherwise agrees in writing."

D. In the Months Following February 2019, Pica Repeatedly Lied About What He Had Done with Customer A's Money

30. Customer A met with PR, a registered representative at another broker-dealer ("Broker-Dealer 1"), on several occasions between February and May 2019. Customer A and PR discussed, among other things, Customer A's investments at Joseph Stone and whether Customer A should transfer his assets from Joseph Stone to Broker-Dealer 1. Customer A also provided PR with account statements for both of his accounts at Joseph Stone.

31. During at least one such meeting, Customer A told PR that Joseph Stone had transferred \$200,000 from his IRA Account to his Bank Account in January 2019. Customer A told PR that the transfer was related to a private placement that Pica had recommended, but that Customer A had chosen not to make the investment. Customer A also told PR that he had handed Pica a \$200,000 check that was payable to Light Capital Group, and that he had done so in order to have the \$200,000 returned to his Joseph Stone IRA Account. Customer A also told PR that he did not have a copy of the February 2019 statement from his IRA Account and therefore could not determine whether the \$200,000, in fact, had been returned to the IRA Account.

32. In or around the end of March 2019, Customer A requested that Joseph Stone transfer both of his accounts to Broker-Dealer 1. Joseph Stone transferred the accounts to Broker-Dealer 1 in early May 2019.

33. On May 1, 2019, Pica called Customer A to discuss the customer's desire to transfer his accounts to Broker-Dealer 1. During the call, which Pica recorded, Customer A asked whether Pica "remember[ed] the \$200,000 I gave you a check for." Pica responded: "Yeah. We moved it back in." Pica further stated that the fact that the \$200,000 had been moved "back in" was "how the value of the account is \$1.5 million." (As of April 30, the value

of Customer A's IRA Account exceeded \$1.4 million.) Customer A then told Pica that he did not have the February 2019 statement for his IRA Account, to which Pica said that he would "overnight" a copy of the statement to the customer.

34. Pica had not moved Customer A's \$200,000 back into Customer A's IRA Account. Instead, Pica had used Customer A's money to fund the down payment on the Little Silver House.

35. During the morning of May 3, 2019, Customer A called AG, Pica's supervisor at Joseph Stone, to inquire about the \$200,000 check that he had given to Pica. On that call, which AG recorded, Customer A told AG that Joseph Stone had transferred \$200,000 from his IRA Account to his personal bank account to invest in a private placement, but that he had chosen not make the investment. Customer A told AG that he had written a \$200,000 check in order to return the money to his IRA Account, but that "for some reason, I don't seem to have a statement that would show that [the \$200,000] came back in." In response, AG told Customer A that he did not see a record of a \$200,000 deposit in any of the customer's accounts at Joseph Stone, prompting Customer A to ask "well, where did it go? It was cashed. That's what we can't find." AG ended the call by telling Customer A that he would do "a little homework" to see if he could determine what had happened to the check.

36. AG called Customer A again during the afternoon of May 3, 2019, with Pica present with AG for portions of the call. On that call, which AG recorded, Customer A again told AG that he had written a check to Pica for \$200,000, and that the check had been cashed. In addition, the following dialogue ensued when Pica was on the call:

Customer A: I wrote a check to [Pica] because of that thing that they were going to do.

AG: A private placement.

Customer A: A private placement.

AG: Right.

Customer A: And I wrote it for check number 1084 for \$200,000 and they're telling—the bank, my bank is telling me, that I wrote it to—I think you told me this morning it was written to the wrong party. It was written to—

AG: Yeah, if you made it out to Light Capital we would not have accepted the check, even if it ever – which it didn't.

Customer A: Okay, but it didn't hit you because it was cashed in [Maryland], I was told by the bank.

AG: Talking to [Pica], that check was sent back to you.

Customer A: No, not true, because I looked for it—it's not here. And they say it was cashed in [Maryland].

37. Later on the same call, Customer A again stated that the check for \$200,000 had been cashed in Maryland and that the question of who had cashed it was the "\$64,000 question."

The following dialogue then ensued, with Pica on the phone:

Customer A: [Pica's] there. Can you ask him?

AG: Yeah.

Customer A: Can you ask him directly?

AG: He's right here.

Customer A: He's right there. Did he take that check that I wrote—and cash it?

AG: [To Pica] "Did you take a check from [Customer A], \$200,000 and . . . [to Customer A] and then we sent it back. Couldn't use it because it was made out to Light Capital.

Customer A: Well who got it and cashed it [in Maryland]?

AG: You think [Pica] took your check and cashed it in a bank in [Maryland].

Customer A: That's what it looks like.

AG: I am insulted. I am insulted.

Customer A: I am too if that's really what happened.

38. On May 6, 2019, AG called Customer A to discuss the customer's accounts.

During that call, which AG recorded, Customer A again told AG that he had handed Pica a check for \$200,000 made out to Light Capital Group, which was deposited in Maryland. The following dialogue ensued:

Customer A: I tried to—there's a big issue about that money that we took out, or [Pica] took out, brought to [the bank] and were going to try—

AG: [Pica] didn't bring any check to [the Maryland bank]. We sent you \$200,000 from [the Maryland bank]. When [Pica] was down there visiting, you handed him a check made out to Light Capital and he handed it right back to you. That is conversations I had with [Pica] into 5 o'clock in—

Customer A: No, no, no, no.

39. By the end of May 2019, Customer A had transferred his accounts from Joseph Stone to Broker-Dealer 1.

40. From February 2019 through that time, Pica repeatedly and falsely told Joseph Stone that he had returned the \$200,000 check to Customer A.

41. On May 31, 2019 and September 10, 2019, Pica admitted under oath, during on-the-record testimony with FINRA staff, that he deposited the \$200,000 check given to him by Customer A into the Light Capital Group Bank Account and then used the money to purchase the Little Silver House.

42. To date, Pica has not returned any of Customer A's money.

E. FINRA Conducted an Examination of Pica's Office on May 15 and May 16, 2019

43. On May 15, 2019, FINRA staff initiated an on-site examination of the Joseph Stone branch office in New York where Pica worked (the "Branch Office"). Neither Pica nor his supervisor, AG, were in the office that day, and the door to Pica's personal office was locked.

44. FINRA staff requested access to Pica's personal office, and representatives of Joseph Stone told FINRA staff that Pica was the only person who had a key to his office.

45. On May 15, representatives of Joseph Stone informed Pica that FINRA staff had requested immediate access to his locked office. In addition, FINRA staff informed Pica, via email on May 15, that FINRA staff was at the Branch Office, that Pica's office door was locked, and that the Firm had represented that Pica was the only person who had a key to unlock his office door. FINRA staff also requested that Pica contact FINRA staff to discuss the best way to gain immediate access to his office. Pica sent an email to FINRA staff that evening, stating that he would grant FINRA staff access to his office after 6:00 p.m. on May 16.

46. During the evening of May 15, Pica called and sent multiple text messages to AG, whom Pica knew was at the Branch Office with FINRA staff, who was then conducting the on-site examination. Pica directed AG to "call when [FINRA staff] leave" and to "follow [FINRA staff] out [and] make sure they leave totally."

47. AG subsequently told Pica that FINRA staff had left the Branch Office for the night. When AG left the Branch Office, Pica was waiting outside the entrance to the building. AG then let Pica into the Branch Office, using AG's key card.

48. AG went home shortly thereafter, leaving Pica alone in the Branch Office.

F. Pica Provided False or Misleading Information to FINRA Staff about whether He Entered the Branch Office on May 15, 2019

49. During the morning of May 16, 2019, Joseph Stone's attorney represented to FINRA staff, via email, that Pica's "office remains locked and the computer is secure." The Firm's attorney further represented that Pica would return to the Branch Office and grant FINRA staff access to his locked office after 6:00 p.m. that evening.

50. FINRA staff returned to the Branch Office on May 16 to continue the on-site examination. FINRA staff observed that someone had entered Pica's office during the prior night and rearranged and removed items from Pica's desk.

51. Pica returned to the Branch Office after 6:00 p.m. on May 16. Upon questioning, Pica told FINRA staff that he had not gone to the Branch Office on May 15.

52. In truth, as alleged above, Pica entered the Branch Office after-hours on May 15—but only after confirming with AG that FINRA staff had left for the night.

G. Pica Provided False or Misleading Testimony to FINRA Staff

53. On August 19, 2019, in connection with its investigation, FINRA staff sent Pica a request pursuant to FINRA Rule 8210 to provide on-the-record ("OTR") testimony. Pursuant to that request, Pica appeared and provided sworn testimony on September 10, 2019 (the "September 10 OTR").

54. During the September 10 OTR, Pica testified under oath that he had never told Customer A that his \$200,000 had been returned to his IRA Account or that his \$200,000 check had been given back to him. For example, when FINRA staff asked Pica whether there was any reason he would have told Customer A that the \$200,000 was back in his brokerage account, Pica testified: "I didn't tell him that."

55. Pica's testimony was false or misleading. As alleged above, Pica told Customer A that his \$200,000 had been returned to his IRA Account. Pica also told Customer A, as alleged above, that he gave the \$200,000 check back to him.

56. During the September 10 OTR, Pica also testified that he had not told anyone at Joseph Stone, including AG, that he had returned Customer A's \$200,000 check to Customer A.

57. Pica's testimony was false or misleading. As alleged above, on multiple occasions, Pica told AG that he had returned the \$200,000 check to Customer A.

58. During the September 10 OTR, Pica also testified that he had not communicated with AG to determine when FINRA staff left the Branch Office on May 15. For example, when asked whether he "tr[ie]d to communicate with [AG] to make sure that FINRA left the office by the time you went back into the office on the night of May 15th?" Pica answered: "No." Pica also answered "no" when asked if he had "made an effort to make sure FINRA staff was not there before you went into the office [on May 15]."

59. Pica's testimony was false or misleading. As alleged above, Pica asked AG to tell him when FINRA staff had left the Branch Office on May 15, and Pica did not return to the Branch Office until after AG confirmed that FINRA staff had left for the night.

H. Pica Procured Affidavits from Customer A During FINRA's Investigation

60. On May 28, 2019, Pica produced to FINRA staff a document dated February 8, 2018 that states, in relevant part, that the Light Capital Group promises to pay to Customer A the sum of \$220,000 plus interest within one year (*i.e.*, by February 8, 2019). The document was purportedly signed by Customer A and Pica.

61. On June 3, 2019, Pica produced to FINRA staff an undated letter, purportedly from Pica to Customer A. Pica attached a copy of the deed to the Little Silver House in his and his wife's names, and stated: "Attached is a copy of the deed that you have the \$200K secured

intrest [sic] in. The secured intrest [sic] is second to the mortgage, as we previously spoke about.”

62. FINRA staff conducted several interviews of Customer A in June 2019. During those interviews, Customer A stated that he intended for the \$200,000 check he gave Pica to be returned to his IRA Account, which is why he wrote the account number for his IRA Account on the memo line of the check, and that he made the check payable to Light Capital Group at Pica’s instruction. Customer A also told FINRA staff that he never spoke with Pica about the Little Silver House. Customer A further told FINRA staff that he never agreed to loan Pica or Light Capital Group \$200,000 or, indeed, any other amount of money. Customer A also told FINRA staff that he had never seen the February 8, 2018 promissory note and that the signature that appeared on the note was not his genuine signature.

63. Nonetheless, since July 2019, Pica has produced to FINRA three separate affidavits bearing Customer A’s signature. Pica told FINRA staff that with respect to one of the affidavits, he drove to Maryland, presented Customer A with the affidavit, and asked Customer A to sign it, which Customer A did. Those affidavits state, among other things, that:

- Customer A was “specifically aware that the two hundred thousand dollars delivered to [] Pica was being used for purposes of acquiring real estate located in Little Silver, New Jersey”
- Customer A was “never told by [] Pica nor anyone at Joseph Stone Capital that the \$200,000 check was put back in [his] account”
- Customer A never “ask[ed] if the \$200,000 was being put back in [his] account, because [Customer A] understood that the [\$200,000] was for a real estate investment”

64. The affidavits that Pica procured from Customer A included many factual assertions, including those quoted above, that are directly contrary to Customer A’s contemporaneous conversations with Pica and AG, which were recorded, in which Customer A

repeatedly asked Pica what happened to his \$200,000 and in which Pica told Customer A that the \$200,000 had been returned to his IRA Account and that he had returned the \$200,000 check to Customer A.

I. Pica Failed to Produce Documents Relating to the Purchase of the Little Silver House

65. On July 25, 2019, pursuant to FINRA Rule 8210, FINRA staff issued Pica a request, through his counsel, requiring him to provide documents relating to the purchase of the Little Silver House, including the mortgage application and any other documents Pica provided to the mortgage company in connection with his and his wife's purchase of the Little Silver House (the "First Rule 8210 Request").

66. Pica's response to the First Rule 8210 Request was due by August 1, 2019. Following correspondence with Pica's counsel, FINRA staff granted an extension of time for Pica to respond until August 5, 2019.

67. On July 31, 2019, Pica responded, through counsel, objecting to the request on the following grounds: 1) "ownership of the property . . . includes an individual other than Erik Pica who is not now, nor has she ever, been associated with FINRA"; 2) Pica's wife objected to the production of the mortgage application; 3) the home had no connection to Pica's securities business; and 4) Customer A had agreed to the transaction.

68. On August 2, 2019, FINRA staff sent a second request pursuant to FINRA Rule 8210 to Pica, through counsel, again requesting that he provide documents relating to the purchase of the Little Silver House (the "Second Rule 8210 Request"). In the Second Rule 8210 Request, FINRA staff responded to Pica's contentions, in pertinent part, as follows:

For the reasons set forth below, none of your assertions provides a proper basis to refuse to respond to FINRA's Rule 8210 request.

First, the fact that your wife also owns the home in question is immaterial. As you are aware, you purchased the home in both your and your wife's names, and therefore responsive documents are plainly within your possession, custody, or control. To the extent that you do not currently possess responsive documents, FINRA Rule 8210 requires that you obtain them. *See* FINRA Rule 8210, Supp. Material (a person subject to FINRA's jurisdiction must produce responsive documents when that person "controls [such records] or has a right to demand them"); *see also Department of Enforcement v. Dennis Sturm*, Complaint No. CAF000033 (NAC March 21, 2002) (affirming Hearing Panel's finding that Sturm violated NASD Conduct Rule 2110 and Procedural Rule 8210 by failing to produce a joint tax return and rejecting argument that respondent did not need to produce the return based on "husband-wife privilege"). In addition, FINRA requested documents submitted to a third party, namely, the mortgage application for the home in question and any supporting documents provided to the mortgage company. . . . Accordingly, your wife's unwillingness to "release" the documents is irrelevant; FINRA is requesting them from you.

Second, your claims that FINRA's Rule 8210 request is not relevant and that the "property in question has no nexus to Mr. Pica's securities industry-related activities" is wrong, both legally and factually. It is well-established that the recipient of a Rule 8210 request may not "take it upon [himself] to determine whether information is material to [a FINRA investigation] of [his] conduct." . . . In any event, you have admitted under oath that you used your customer's funds to purchase the home in question, which is one of the subjects of FINRA's investigation of you. Your mortgage application and supporting documents are related to that investigation, and you are required to produce them to FINRA.

FINRA staff also advised Pica that his claim that Customer A had agreed to the purchase of the Little Silver House did not provide a basis to refuse to produce the documents requested pursuant to FINRA Rule 8210.

69. Although Pica was properly served with the First and Second Rule 8210 Requests, Pica failed to produce to FINRA staff the requested documents relating to the purchase of the Little Silver House.

70. The First and Second Rule 8210 Requests sought information that was material to FINRA's investigation of Pica because, among other reasons, Pica's mortgage application is likely to include representations about whether Pica borrowed money from any third parties in order to finance his purchase of the Little Silver House.

FIRST CAUSE OF ACTION
Conversion
(Violation of FINRA Rules 2150 and 2010)

71. The Department of Enforcement realleges and incorporates by reference all preceding paragraphs.

72. FINRA Rule 2150 prohibits members or persons associated with a member firm from making improper use of a customer's funds.

73. FINRA Rule 2010 requires that members and associated persons, in the conduct of their business, "observe high standards of commercial honor and just and equitable principles of trade."

74. A violation of FINRA Rule 2150 constitutes a violation of FINRA Rule 2010.

75. Conversion is an independent and distinct violation of FINRA Rule 2010.

76. Conversion generally is an intentional and unauthorized taking of and/or exercise of ownership over property by one who neither owns the property nor is entitled to possess it.

77. In February 2019, Pica directed Customer A to write a check in the amount of \$200,000 to Light Capital Group. Customer A did so and handed the check to Pica. At the time, Customer A intended and understood that those funds were to go back into his IRA Account held at Joseph Stone.

78. Despite knowing that the funds belonged to Customer A and that Customer A intended for the funds to be deposited into Customer A's IRA Account at Joseph Stone, on or about February 8, 2019, Pica deposited the check into the Light Capital Group Bank Account and thereafter transferred that money into his personal bank account.

79. Pica then used Customer A's \$200,000 for a deposit on a home that Pica purchased in his and his wife's name.

80. Pica was not entitled to any of the customer funds over which he took ownership.

81. Pica took customer funds with the intent of depriving Customer A of his funds.

82. As a result of Pica's conduct, Customer A was deprived of his funds.

83. By virtue of the foregoing conduct, Pica committed conversion in violation of FINRA Rules 2150 and 2010, and also committed an independent and distinct violation of FINRA Rule 2010.

SECOND CAUSE OF ACTION
Misuse of Customer Assets
(Violation of FINRA Rules 2150 and 2010)

84. The Department of Enforcement realleges and incorporates by reference all preceding paragraphs.

85. FINRA Rule 2150 prohibits members or persons associated with a member firm from making improper use of a customer's funds.

86. FINRA Rule 2010 requires that members and associated persons, in the conduct of their business, "observe high standards of commercial honor and just and equitable principles of trade."

87. A violation of FINRA Rule 2150 constitutes a violation of FINRA Rule 2010.

88. Misuse of customer assets is an independent and distinct violation of FINRA Rule 2010.

89. By taking customer funds in the manner already described, Pica used them for purposes not directed by Customer A and also commingled them with non-customer funds. This was an improper use of customer funds.

90. By virtue of the foregoing conduct, Pica misused customer assets in violation of FINRA Rules 2150 and 2010, and also committed an independent and distinct violation of FINRA Rule 2010.

**THIRD CAUSE OF ACTION
Providing False or Misleading Information to a Customer
(Violation of FINRA Rule 2010)**

91. The Department of Enforcement realleges and incorporates by reference all preceding paragraphs.

92. On May 1, 2019, Customer A asked Pica during a telephone call whether Pica remembered the \$200,000 check that Customer A had given to Pica. Pica told Customer A that he had put the \$200,000 back into Customer A's IRA Account.

93. On May 3, 2019, Customer A asked Pica and Pica's supervisor during a telephone call what Pica had done with the check for \$200,000. In response, Pica stated that he had not cashed the check.

94. Pica's statements to Customer A were false or misleading. Pica, in fact, deposited Customer A's check for \$200,000 into the Light Capital Group Bank Account, transferred the funds into his personal bank account, and then used the funds to purchase a home in his and his wife's name.

95. By virtue of the foregoing, Pica violated FINRA Rule 2010.

**FOURTH CAUSE OF ACTION
Providing False or Misleading Information to a FINRA Member Firm
(Violation of FINRA Rule 2010)**

96. The Department of Enforcement realleges and incorporates by reference all preceding paragraphs.

97. Pica repeatedly told AG, his supervisor at Joseph Stone, that he had returned Customer A's \$200,000 check to Customer A and that he had not taken Customer A's funds.

98. Pica's statements to Joseph Stone were false or misleading. Pica, in fact, deposited Customer A's check for \$200,000 into the Light Capital Group Bank Account, transferred the funds into his personal bank account, and then used the funds to purchase a home in his and his wife's name.

99. By virtue of the foregoing, Pica violated FINRA Rule 2010.

**FIFTH CAUSE OF ACTION
Providing False or Misleading Information to FINRA Staff
(Violation of FINRA Rule 2010)**

100. The Department of Enforcement realleges and incorporates by reference all preceding paragraphs.

101. On May 16, 2019, FINRA staff asked Pica whether he had entered the Branch Office the prior evening. Pica responded that he had not entered the office.

102. Pica's statements to FINRA staff on May 16 were false or misleading. Pica, in fact, entered the Branch Office after-hours on May 15, after first confirming with AG that FINRA staff had left for the night.

103. By virtue of the foregoing, Pica violated FINRA Rule 2010.

**SIXTH CAUSE OF ACTION
Providing False or Misleading Information to FINRA
During Testimony Taken Pursuant to FINRA Rule 8210
(Violation of FINRA Rules 8210 and 2010)**

104. The Department of Enforcement realleges and incorporates by reference all preceding paragraphs.

105. FINRA Rule 8210(a) provides that for purposes of an investigation, FINRA staff has the right to require a person associated with a member or any other person subject to

FINRA's jurisdiction to "provide information orally [or] in writing ... and to testify at a location specified by FINRA staff, under oath or affirmation ... with respect to any matter involved in the investigation."

106. Providing false or misleading information to FINRA during on-the-record testimony requested pursuant to FINRA Rule 8210 is a violation of FINRA Rules 8210 and 2010.

107. During the September 10 OTR, Pica testified that he had never told Customer A that his \$200,000 had been returned to Customer A's IRA Account or that his \$200,000 check had been given back to him.

108. Pica's testimony was false or misleading. Pica, in fact, told Customer A that his \$200,000 had been returned to his IRA Account. Pica also told Customer A that he gave the \$200,000 check back to him.

109. During the September 10 OTR, Pica also testified that he had never told AG that he had returned the \$200,000 check to Customer A.

110. Pica's testimony was false or misleading. Pica, in fact, on numerous occasions, told AG that he had returned the \$200,000 check to Customer A.

111. During the September 10 OTR, Pica also testified that he had not communicated with AG to determine when FINRA staff left the Branch Office on May 15.

112. Pica's testimony was false or misleading. Pica, in fact, asked AG to tell him when FINRA staff had left the Branch Office on May 15.

113. By providing false or misleading information to FINRA during on-the-record testimony taken pursuant to FINRA Rule 8210, Pica violated FINRA Rules 8210 and 2010.

SEVENTH CAUSE OF ACTION
Failing to Respond to a Written Request for Information
Issued Pursuant to FINRA Rule 8210
(Violation of FINRA Rules 8210 and 2010)

114. The Department of Enforcement realleges and incorporates by reference all preceding paragraphs.

115. FINRA Rule 8210(a)(2) provides that FINRA staff has the right to “inspect and copy the books, records, and accounts of such member or person with respect to any matter involved in [an] investigation . . . that is in such member’s or person’s possession, custody or control.”

116. FINRA Rule 8210(c) provides that: “No member or person shall fail to provide information . . . pursuant to this Rule.”

117. Failing to provide documents and information requested pursuant to FINRA Rule 8210 is a violation of FINRA Rules 8210 and 2010.

118. Through its First Rule 8210 Request, FINRA staff requested that Pica produce certain documents relating to the purchase of the Little Silver House, including the mortgage application and any other documents provided by Pica to the mortgage company.

119. Pica’s counsel responded to the First Rule 8210 Request on July 31, 2019, but refused to produce the requested documents, asserting various objections to the request.

120. Through its Second Rule 8210 Request, FINRA staff again requested that Pica produce certain documents relating to the purchase of the Little Silver House, including the mortgage application and any other documents provided by Pica to the mortgage company

121. Pica’s counsel responded to the Second Rule 8210 Request on August 13, 2019 and August 14, 2019, but again, refused to produce the requested documents, asserting various objections to the request.

122. The information and documents requested by FINRA in its First and Second Rule 8210 Requests were material to FINRA's investigation of Pica.

123. By failing to produce documents requested pursuant to FINRA Rule 8210, Pica violated FINRA Rules 8210 and 2010.

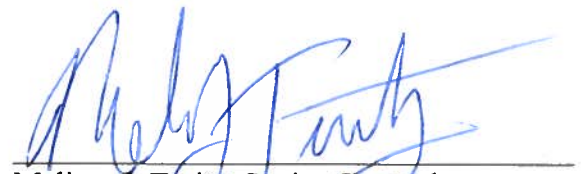
RELIEF REQUESTED

WHEREFORE, the Department of 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) be imposed, including that Respondent 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 Respondent bears such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: 10/25/2019



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