

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020066940501**

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

RE: Drexel Hamilton, LLC
Member Firm
CRD No. 143570

Michael Ivcic
General Securities Representative
CRD No. 6247801

Frederick Phelan
General Securities Representative
CRD No. 5838146

David Steigerwald
General Securities Representative
CRD No. 1347207

Thomas McClure Mead, Jr.
Former Municipal Securities Principal
CRD No. 330666

Pursuant to FINRA Rule 9216, Respondents Drexel Hamilton, LLC, Michael Ivcic, Frederick Phelan, David Steigerwald, and Thomas McClure Mead, Jr. (Respondents) 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 Respondents alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondents accept and consent to the following findings by FINRA without admitting or denying them:

BACKGROUND

Drexel Hamilton has been a FINRA member since 2007 and a MSRB registrant since 2010. It is based in New York, NY with three branch offices and approximately 40 registered representatives. The firm engages in securities underwriting and securities

trading. In January 2018, a group of employees who were not serving in a management position purchased the firm and became its managers.

Ivcic first became registered with FINRA in 2013 as a General Securities Representative (GSR) through his association with Drexel Hamilton. Ivcic was registered through an association with that firm until June 2018. From June 2018 to the present, Ivcic has been registered as a GSR through an association with another FINRA member firm.

Phelan first became registered with FINRA in 2010 as a GSR through his association with Drexel Hamilton, and he remains associated with the firm.

Steigerwald first became registered with FINRA in 1985 as a GSR through his association with a FINRA member firm. From 2013 to the present, Steigerwald has been registered as a GSR through an association with Drexel Hamilton.

Mead entered the securities industry in 1969 when he became associated with a FINRA member. In 2010 Mead became associated with Drexel Hamilton. While associated with Drexel Hamilton, Mead was registered as a Municipal Securities Principal. Mead voluntarily terminated his association with Drexel Hamilton in January 2024 and is not currently registered or associated with a FINRA member firm. However, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.¹

OVERVIEW

From January 2016 through August 2018, Drexel Hamilton participated in primary offerings of municipal bonds as a syndicate member or member of the selling group. In the course of those activities, the firm submitted at least 572 orders on behalf of other broker-dealers during retail order periods without a basis for designating the orders as retail, and with zip codes not associated with a retail customer that made it appear that the orders qualified for submission during the retail order period. The firm also split at least 44 orders submitted during the retail order period that exceeded the \$1 million per order maximum set by the issuer for the offering into smaller individual orders to evade the order limit. By submitting orders that violated the retail order period eligibility criteria set by issuing municipalities, the firm violated MSRB Rules G-11(k) and G-17.

During the period of January 2016 through December 2022, the firm failed to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to ensure compliance with the retail period eligibility criteria. As a result, the firm violated MSRB Rule G-27.

From January 2016 to June 2018, Michael Ivcic worked as the municipal securities syndicate representative at Drexel Hamilton and was responsible for submitting the firm's customer orders for new issue municipal bonds to the broker-dealer acting as the offering's senior syndicate manager. Ivcic violated the retail order period eligibility

¹ For more information about the firm and individual respondents, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

criteria set by issuing municipalities by submitting 276 new issue retail orders with zip codes that were not associated with a retail customer and splitting 29 orders that exceeded the \$1 million maximum allowed for retail investors into smaller orders to evade the limit set by the municipalities issuing those bonds. As a result, Ivcic willfully violated MSRB Rules G-11(k) and G-17, both independently and by acting in contravention of Section 17(a)(2) of the Securities Act of 1933.

Between January 2016 and August 2018, Frederick Phelan, a firm registered representative, violated the retail order period eligibility criteria set by issuing municipalities by submitting 46 order tickets for broker-dealers as new issue retail orders with zip codes that were not associated with a retail customer. As a result, Phelan willfully violated MSRB Rules G-11(k) and G-17.

Between January 2016 and August 2018, David Steigerwald, a firm representative, violated the retail order period eligibility criteria set by issuing municipalities by submitting 127 order tickets for broker-dealers as new issue retail orders with zip codes that were not associated with a retail customer. As a result, Steigerwald willfully violated MSRB Rules G-11(k) and G-17.

Between January 2016 and August 2018, Thomas Mead, the head of the firm's municipal department failed to reasonably supervise Drexel Hamilton's sales of new issue municipal bonds to ensure that the firm complied with the retail order period eligibility criteria set by issuing municipalities. As a result, Mead violated MSRB Rule G-27.

FACTS AND VIOLATIVE CONDUCT

Drexel Hamilton submitted retail orders for new issue municipal bonds without a basis for designating the orders as retail and with zip codes that were not associated with a retail customer.

MSRB Rule G-11(k) provides that every municipal dealer that submits an order during a retail order period must disclose in writing to the syndicate senior manager information relating to the eligibility criteria for orders designated as retail, including any identifying information required by the issuer.

MSRB Rule G-17 provides that, in connection with its municipal securities business, every municipal securities dealer shall deal fairly with all persons and shall not engage in any deceptive, dishonest, or unfair practice. The MSRB has interpreted Rule G-17 to apply these fair practice requirements to municipal securities activities of issuers of municipal securities.²

Municipalities issue bonds to raise funds for public projects and use broker-dealers to underwrite and manage the offerings. Typically, a group of broker-dealers act as an underwriting syndicate to purchase the bonds during a primary offering and distribute them to investors. A lead firm is designated as the syndicate senior manager, and the

² See "Reminder Notice on Fair Practice Duties to Issuers of Municipal Securities," September 29, 2009.

other broker-dealers in the syndicate act as co-managers. The syndicate senior manager is responsible for collecting orders from the co-managers during the primary offering order period and allocating the bonds to syndicate members. The co-managers, in turn, take orders from their customers during the primary offering order period and submit those orders for consideration to the syndicate senior manager.

Municipalities issuing new bonds often set different order periods for retail and institutional customers with priority given to retail customers because of a preference that the bonds be sold to investors who are likely to hold the bonds rather than quickly trade them. Municipalities also often prioritize sales of bonds to retail customers living in the jurisdiction of the municipality so that local investors can take advantage of state or local government tax benefits. As such, municipalities often set a retail order period at the start of an offering to give retail customers a chance to purchase bonds before they are offered or available to institutions.

The priority of orders and the criteria associated with that priority are set out in a pricing wire that is distributed to the broker-dealers in the syndicate prior to the offering. The pricing wire sets out the retail order period, if any, and the criteria for submitting retail orders to the syndicate senior manager. For example, among other information to demonstrate that orders are for bona fide retail customers in compliance with Rule G-11(k), retail orders are usually required to include the retail customer's zip code. If a co-manager does not submit the zip code of the retail customer, the order will be rejected by the syndicate senior manager and lose its priority status. Additionally, the pricing wire usually limits individual retail bond orders to a maximum of \$1 million.

During the period from January 2016 to August 2018 (the Relevant Period), Drexel Hamilton participated in a number of offerings for new issue municipal bonds as a co-manager or a member of the selling group. The firm did not have retail customers for its orders of new issue municipal bonds. Rather, it submitted such orders on behalf of other broker-dealers who had, in turn, placed orders with the firm.

On at least 572 occasions during the Relevant Period, the firm, through its representatives, submitted orders to the syndicate senior manager that it received from broker-dealer counterparties that it designated as retail without a basis to do so, and, to make it appear that the orders were for bona fide retail customers, included zip codes with the orders that were not associated with a retail customer. The firm's representatives did not receive zip codes from their broker-dealer counterparties, and the firm would not have been permitted to purchase the bonds during the retail order period without the inclusion of a zip code. However, because the orders included a zip code and therefore appeared to be for bona fide retail customers, the syndicate senior manager allocated bonds to the firm during the retail order period.

Additionally, on at least 44 occasions during the Relevant Period, the firm received orders from its broker-dealer counterparties that exceeded the \$1 million per order maximum set out in pricing wires and, when it submitted the orders to the syndicate senior manager, split those orders into multiple, smaller orders to evade the limit set out

in the retail period eligibility criteria. The sales of the bonds in violation of the retail order period rules generated significant commissions for the firm.

Therefore, Drexel Hamilton violated MSRB Rules G-11(k) and G-17.

Michael Ivcic submitted orders that violated the retail order period eligibility criteria.

Section 17(a)(2) of the Securities Act provides that it shall be unlawful “in the offer or sale of any securities [using interstate commerce or the mails] directly or indirectly to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading[.]” The inclusion of a zip code with bond orders is material information when submitted during the retail order period for a primary municipal bond offering. Acting in contravention of Section 17(a)(2) of the Securities Act violates MSRB Rule G-17.

During the period of January 2016 to June 2018, Ivcic worked as the syndicate representative at the firm and submitted orders for new issue municipal bonds to syndicate senior managers through an order management system used by selling groups. As part of his regular responsibilities, Ivcic received pricing wires setting out the terms of the offerings, including the retail period eligibility criteria, and disseminated them to the firm’s sales representatives. Sales representatives provided Ivcic with order tickets for orders submitted by their broker-dealer counterparties, and Ivcic entered the order information, on behalf of the firm, into the order management system.

Ivcic understood that issuing municipalities required a zip code associated with a bona fide retail customer for each order submitted during the retail order period and imposed a maximum amount for any particular order. Certain representatives provided Ivcic with order tickets for retail orders that did not contain zip codes, and, for these orders, Ivcic included a zip code that was not associated with a retail customer. Other representatives provided order tickets with a single zip code, and Ivcic at times split the order into multiple, smaller orders with separate zip codes that were not associated with a retail customer.

During the period of January 2016 to June 2018, Ivcic submitted 276 retail orders during retail order periods with zip codes that were not associated with a retail customer. Further, on at least 29 occasions during the period of January 2016 to June 2018, Ivcic split orders that exceeded the \$1 million maximum into smaller orders and included separate zip codes with each of the smaller orders to make the orders falsely appear to be from multiple, separate retail customers.

Therefore, Ivcic willfully violated MSRB Rules G-11(k) and G-17, both independently and by acting in contravention of Section 17(a)(2) of the Securities Act of 1933.

Phelan and Steigerwald submitted order tickets with zip codes that were not associated with retail customers.

During the Relevant Period, Phelan and Steigerwald submitted primary issue municipal bond orders on behalf of other broker-dealers during the retail order period and marked the orders as “retail.”

Phelan’s and Steigerwald’s broker-dealer counterparties did not provide them with zip codes for orders that Phelan and Steigerwald submitted as retail. However, on 46 occasions during the Relevant Period, Phelan included a zip code that was not associated with a retail customer on order tickets that he submitted to the firm. Similarly, on 127 occasions Steigerwald included a zip code that was not associated with a retail customer on order tickets that he submitted to the firm.

Phelan and Steigerwald understood that the zip codes included on these order tickets would be submitted to the syndicate senior manager through the order management system. By including zip codes on order tickets for new issue municipal bonds that were not associated with a retail customer, Phelan and Steigerwald violated the retail eligibility criteria set by the issuing municipalities.

Therefore, Phelan and Steigerwald willfully violated MSRB Rules G-11(k) and G-17.

Drexel Hamilton failed to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to ensure compliance with the retail period eligibility criteria.

MSRB Rule G-27 requires brokers, dealers and municipal securities dealers to establish and maintain a supervisory system, including written procedures, to supervise the conduct of their municipal securities activities to ensure compliance with MSRB rules and applicable provisions of the Securities Exchange Act of 1934 and Exchange Act rules.

During the period from January 2016 through December 2022, Drexel Hamilton engaged in the business of selling new issue municipal bonds and participating in offerings of those bonds. The firm submitted orders during the retail order period for new issue municipal bonds on behalf of other broker-dealers.

During this period, though a significant portion of its business was participating in underwritings of municipal securities, the firm failed to establish or maintain a supervisory system that was reasonably designed to ensure compliance with the retail order period eligibility criteria inherent to certain of these underwritings. The firm had no supervisory system in place to determine that the retail orders that it submitted during retail order periods were for genuine retail customers or that the zip codes its representatives submitted with the orders were accurate and associated with a retail customer purchasing the bonds, which were issues important to supervise this business. Moreover, the firm maintained WSPs that unreasonably contained no guidance on

complying with the retail order period eligibility criteria set by issuing municipalities. The firm enhanced its supervisory systems, including its written supervisory procedures, after December 2022.

As a result of these supervisory failures, the firm failed to detect the violations of MSRB Rule G-11(k) outlined above.

Therefore, Drexel Hamilton violated MSRB Rule G-27.

Mead failed to reasonably supervise the firm's sales of new issue municipal bonds during the retail order period.

During the Relevant Period, the firm delegated to Mead the responsibility to supervise the conduct of the firm's municipal securities business to ensure compliance with MSRB rules. This supervisory responsibility included the firm's compliance with the retail order period eligibility criteria set by municipal issuers. The firm also delegated to Mead the direct supervision of Ivcic.

During the Relevant Period, Mead failed to reasonably respond to red flags that gave him actual notice of potential misconduct with respect to purportedly retail orders. First, in early 2016, a municipal issuer emailed Mead that the firm had been unresponsive to requests to detail its retail orders. In early 2017, a broker-dealer acting as syndicate senior manager for a new issue municipal offering challenged and rejected numerous orders that the firm had designated as retail because it did not believe that the orders were for bona fide retail customers. Additionally, in 2017, another municipal issuer questioned the firm, including Mead, about orders that had been designated as retail that were subsequently traded on the secondary market.

However, despite these red flags, Mead failed to take steps to investigate the red flags or to otherwise ensure that the firm and its representatives complied with the retail order period eligibility criteria. Mead failed to take reasonable actions to supervise this activity and Ivcic's role in it. Mead did not review order tickets to see if they contained zip codes or check with the firm's counterparties to confirm that the orders those firms were submitting were for bona fide retail customers. Rather, he merely reviewed deal folders in a cursory fashion to see if they appeared to conform to the requirements set by issuing municipalities. Given the importance of accurate and genuine zip codes to complying with MSRB rules, including the retail order period eligibility criteria, Mead's supervision was unreasonable.

Therefore, Mead violated MSRB Rule G-27.

B. Respondents also consent to the imposition of the following sanctions:

Drexel Hamilton:

- a censure;
- a \$300,000 fine;
- disgorgement of \$837,353; and

Michael Ivcic

- a 15-month suspension from associating with any FINRA member in all capacities; and
- a \$30,000 fine.

Frederick Phelan

- a four-month suspension from associating with any FINRA member in all capacities; and
- a \$20,000 fine.

David Steigerwald

- a six-month suspension from associating with any FINRA member in all capacities; and
- a \$30,000 fine.

Thomas Mead

- a six-month suspension from associating with any FINRA member in all principal capacities; and
- a \$15,000 fine.

Respondents Drexel Hamilton, Michael Ivcic, Frederick Phelan and David Steigerwald agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payment is due and payable. Respondents have submitted an Election of Payment form showing the method by which they propose to pay the fines imposed.

The fine imposed on Mead shall be due and payable either immediately upon reassociation with a member firm or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Respondents specifically and voluntarily waive any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanctions imposed in this matter.

Disgorgement of a portion of the revenue the firm received from the new issue municipal bond orders set out in this AWC is ordered to be paid to FINRA in the amount of \$837,353.

Respondent Mead understands that this settlement includes a finding that he failed to supervise an individual who violated MSRB Rules G-11(k) and G-17 and that under Article III, Section 4 of FINRA's By-Laws, this makes him subject to a statutory disqualification with respect to membership.

Respondent Mead understands that if he is barred or suspended from associating with any FINRA member in a principal capacity, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, Respondent Mead may not be associated with any FINRA member in a principal capacity during the period of the bar or suspension. See FINRA Rules 8310 and 8311. Furthermore, because Respondent Mead is subject to a statutory disqualification during the suspension, if he remains associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

Respondents Ivcic, Phelan and Steigerwald understand that if they are barred or suspended from associating with any FINRA member, they become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, they may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. See FINRA Rules 8310 and 8311.

Respondents Ivcic, Phelan and Steigerwald understand that this settlement includes a finding that they willfully violated MSRB Rules G-11(k) and G-17 and that under Article III, Section 4 of FINRA's By-Laws, this makes them subject to a statutory disqualification with respect to association with a member.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a complaint issued specifying the allegations against them;

- 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, Respondents 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 its acceptance or rejection.

Respondents 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

Respondents 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 Respondents; and
- C. If accepted:
 - 1. this AWC will become part of Respondents' permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondents;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and

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4. Respondents 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. Respondents 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 Respondents' right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondents' testimonial obligations in any litigation or other legal proceedings.
- D. Respondents may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

The undersigned, on behalf of Drexel Hamilton, certifies that a person duly authorized to act on Respondent's behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

November 8, 2024

Date

Anthony Felice

Drexel Hamilton
Respondent

Print Name: Anthony Felice

Title: CEO

Respondent Phelan certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

November 10, 2024

Date

Frederick Phelan

Frederick Phelan
Respondent

Respondent Steigerwald certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

November 15, 2024

Date

David Steigerwald

David Steigerwald
Respondent

Respondent Mead certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

November 11, 2024

Date

Thomas McClure Mead, Jr.

Thomas McClure Mead, Jr.
Respondent

Reviewed by:

Adam Brody

Ira Sorkin

Adam Brody

Counsel for Respondents Drexel Hamilton, Frederick Phelan, David Steigerwald and Thomas Mead

Mintz & Gold

600 Third Avenue, 25th Floor

New York, NY 10016

Respondent Ivcic certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

November 15, 2024

Date

Michael Ivcic

Michael Ivcic
Respondent

Reviewed by:

Daniel Horwitz

Daniel Horwitz
Counsel for Respondent Michael Ivcic
Tannenbaum, Helpert, Syracuse & Hirschtritt
900 Third Avenue
New York, New York 10022

Accepted by FINRA:

November 18, 2024

Date

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

Jason Mogel

Jason Mogel
Senior Counsel
FINRA
Department of Enforcement
99 High Street, Suite 900
Boston, MA 02110