

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

Department of Enforcement,

Complainant,

v.

Keith C. Baron,  
CRD No. 3231494,

Respondent.

Disciplinary Proceeding  
No. 2022073772701

**COMPLAINT**

The Department of Enforcement alleges:

**SUMMARY**

1. In 2016, Respondent Keith Baron recommended the purchase of Company A, a financially troubled company, to two senior investors—Investor A and her husband, Investor B. In connection with his recommendations, Baron made misrepresentations to Investors A and B regarding Company A’s prospects and also concealed from Investors A and B that he had a consulting agreement with Company A that entitled him to receive payments after Company A obtained funding. Based on Baron’s recommendations, Investors A and B invested over \$350,000 in Company A.

2. In 2018 and early 2019, Baron separately misrepresented to Investors A and B that Company A intended to buy back Investors A and B’s shares.

3. By making material misrepresentations and omissions to Investors A and B, Baron violated FINRA Rule 2010.

4. From 2015 to 2017, Baron failed to provide prior written notice to his FINRA member firm, Equity Services Inc., that he was serving as a consultant to Company A pursuant to a written consulting agreement that entitled him to a \$10,000 monthly fee. To the contrary, on his annual certifications to the firm, Baron falsely claimed not to have any undisclosed outside business activity. By failing to provide prior written notice of his outside business to Equity, Baron violated FINRA Rules 3270 and 2010.

5. In 2016, Baron also failed to provide prior written notice to Equity that he was participating in private securities transactions away from the firm, namely Investors A and B's purchases of Company A stock. By failing to provide prior written notice of his participation, Baron violated FINRA Rules 3280 and 2010.

6. In addition, in 2019, after Investors A and B submitted a complaint about Baron to FINRA, Baron misrepresented to Equity the nature and extent of his involvement in Investors A and B's purchases of Company A's stock. By misrepresenting his involvement to Equity, Baron violated FINRA Rule 2010.

7. Finally, in two separate written responses to requests from FINRA, one of which was made pursuant to Rule 8210, Baron provided false information regarding his involvement with Investors A and B's investment with Company A and misrepresented the nature and extent of his involvement with Company A. By providing false information to FINRA, Baron violated FINRA Rule 2010 independently and FINRA Rules 8210 and 2010.

### **RESPONDENT AND JURISDICTION**

8. Baron first registered with FINRA in 1999 as a General Securities Representative ("GSR") through an association with a FINRA member firm. From 1999 until January 2022, Baron was registered with FINRA through seven different FINRA member firms.

9. As relevant here, Baron was registered with FINRA as a GSR through an association with Equity from August 13, 2015, through January 7, 2022. According to the Uniform Termination Notice for Securities Industry Registration (“Form U5”) filed by Equity on January 7, 2022, Baron voluntarily resigned from that firm while under internal review.

10. Although Baron is no longer registered or associated with a FINRA member, he remains subject to FINRA’s jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA’s By-Laws, because: (i) the Complaint was filed within two years after the effective date of termination of Baron’s registration, namely, January 7, 2022; and (ii) the Complaint charges Baron with misconduct committed while he was registered or associated with a FINRA member firm.

## **FACTS**

### **A. Background**

11. Baron first met Investor A in the early 2000s when Investor A worked as an attending physician at a hospital in the Bronx.

12. Investor A and B have been, at all relevant times, married to each other.

13. Baron eventually became Investor A’s broker, and beginning in May 2012 he recommended, and she purchased, several annuities through the FINRA member firm at which he was then associated.

14. On June 20, 2014, Baron signed a “Strategic Consulting Services Agreement” with Company A, agreeing to serve as a paid consultant for the company from July 2014 until June 2017.

15. Under that agreement, Company A promised to pay Baron a “monthly consultancy fee” in the amount of \$10,000 per month.

16. In return, Baron agreed to perform certain services for Company A, including “investor relations” services such as “to respond to inquiries from shareholders and other stakeholders,” communicating with creditors of Company A, and assisting Company A with its growth and strategy.

17. Baron’s consultancy agreement with Company A also provided that payments of the monthly consultancy fee were “contingent on [Company A’s] ability to obtain financing” and “may be deferred or delayed ... until [Company A] has funds available in Treasury to meet operational expenses or until it receives a large funding[.]”

18. In other words, Baron had a direct financial stake in Company A receiving funds from investors, like Investors A and B, because his receipt of consultancy fees depended on Company A’s “ability to obtain financing[.]”

19. As alleged below, Baron never disclosed this consulting relationship to Equity when he joined the firm in August 2015 or at any time thereafter.

**B. Baron Promoted Company A to Investors A and B**

20. In or about early 2016, Baron recommended to Investors A and B that they buy shares of Company A’s common stock.

21. After hearing Baron’s 2016 representations about Company A, Investors A and B decided to buy shares of stock from Company A.

22. They did so in four separate transactions outside of Equity between March and September 2016, investing a total of \$359,806.16.

23. In addition to his recommendation, Baron participated in Investors A and B’s purchases of common stock in other ways.

24. For example, in March 2016, (i) he advised them to open a self-directed Individual Retirement Account with a self-directed IRA custodian to hold the shares; and (ii) he provided them a copy of a “[Company A] Subscription Agreement.”

25. On March 18 and March 22, 2016, Investors A and B used \$15,300 and \$119,500, respectively, of their retirement funds to purchase 1,348,000 total shares of common stock of Company A in two separate transactions through an unregistered offering.

26. On June 1, 2016, Investors A and B wrote a check to Company A in the amount of \$150,006.16 to purchase an additional 1,500,000 shares of Company A’s common stock through an unregistered offering.

27. In September 2016, Baron suggested to Investors A and B that they use more of their savings to buy stock from Company A. On September 6, 2016, Investors A and B wrote a check in the amount of \$75,000 to Company A to buy another 1,500,000 shares of Company A’s common stock through an unregistered offering.

28. In connection with these securities transactions, Baron personally delivered to Investors A and B three stock certificates totaling 4,348,000 shares of Company A’s stock.

**C. Baron Made Material Misrepresentations and Omissions to Investors A and B in Connection with Their Purchases of Company A Shares**

29. At the time of their purchases in 2016, Baron had told Investor A and Investor B that Company A’s stock was poised to be listed on a public exchange in the near future, and that such a listing would cause the stock’s share price to substantially increase.

30. At the time of these representations, Company A’s stock was trading over the counter.

31. Baron’s representations were false because there was no realistic prospect of a public exchange listing for Company A’s stock in the near future.

32. There also was no realistic prospect that Company A's stock would substantially increase in price and Baron had no reasonable basis for believing that it would.

33. At the time Baron initially recommended that Investors A and B purchase Company A, Baron knew that Company A did not have the funds to pay him his \$10,000 monthly consultancy fee. In fact, Company A did not begin paying Baron until March 2016, shortly after Investors A and B made their first purchase of Company A stock.

34. Baron also should have known at the time of his recommendations that, since the fourth quarter of 2013, Company A had been in breach of its regulatory filing obligations.

35. By 2016, Company A had failed to file any quarterly (Forms 10-Q) or annual (Forms 10-K) reports with the Securities and Exchange Commission, as required under the federal securities laws, for over two years.

36. Baron also omitted material facts from Investors A and B.

37. At the time of his recommendations, Baron failed to disclose to Investors A and B that he had provided consulting services to Company A beginning in 2005 or that he had a consulting agreement with Company A then in effect.

38. At the time of his recommendations, Baron also failed to disclose to Investors A and B that he expected to receive compensation from Company A—\$10,000 per month—after the company obtained financing.

39. After Investors A and B's initial purchase, Baron knew that Company A compensated him, but when Baron made recommendations to Investors A and B to purchase additional shares of Company A common stock, Baron never disclosed to them that he had been compensated after their prior purchases or that he would be compensated by Company A after their additional purchases.

40. Specifically, in 2016, Company A repeatedly paid Baron substantial sums of money, totaling \$284,890, following Investors A and B's purchases of Company A stock.

41. For example, four days after Investors A and B gave Company A \$15,300 on March 18, 2016, Company A sent \$7,650—*i.e.*, 50% of \$15,300—to Baron in two separate wire transfers on March 22, 2016.

42. Two days after Investors A and B gave Company A \$119,500 on March 22, 2016, Company A wrote a single check for \$59,750—*i.e.*, 50% of \$119,500—to Baron that was deposited by Baron into his account.

43. Five days after Investors A and B sent \$150,006.16 to Company A on June 1, 2016, Company A wired \$75,000—*i.e.*, 50% of \$150,000—to Baron in a single wire transfer on June 6, 2016.

44. In total, Baron received \$284,890 of wire payments and check payments from Company A between March and October 2016.

45. When Investors A and B stopped sending money to Company A to buy stock in September 2016, Company A stopped making payments to Baron at the end of October 2016, even though Baron's consulting agreement with Company A remained in effect for another eight months, *i.e.*, until June 2017.

**D. Baron Failed to Disclose His Outside Business Activity or His Private Securities Transactions to Equity**

46. In August 2015, Baron began his employment at Equity, where he worked out of the firm's branch office in Jericho, New York.

47. On or about August 6, 2015, Baron submitted an Outside Business Activity Disclosure to Equity that disclosed an outside business activity of insurance sales agent for a life insurance company.

48. The Outside Business Activity Disclosure that Baron submitted instructed Baron to complete a separate form for each outside business activity.

49. On or about September 28, 2015, Baron signed a “Letter of Understanding” that acknowledged that he understood his obligation “to obtain [Equity’s] approval prior to engaging in any outside business activities.”

50. Throughout the period of Baron’s employment at Equity, Equity’s Written Supervisory Procedures instructed registered representatives like Baron that they may not be an employee, independent contractor, sole proprietor, officer, director or partner of another business activity, or be compensated, or have the reasonable expectation of compensation, from any business activity outside the scope of their relationship with Equity without prior written notice and approval from Equity.

51. Equity’s Written Supervisory Procedures also instructed registered representatives like Baron that they were not allowed to engage in any private securities transactions without prior written authorization from the Firm’s “Montpelier Office of Supervisory Jurisdiction ... Compliance.”

52. Baron had an ongoing consulting agreement with Company A in September 2015.

53. As alleged above, Company A promised in that agreement to pay Baron \$10,000 per month for providing services to and on behalf of Company A.

54. Pursuant to the consulting agreement, Baron helped Company A identify and negotiate with companies with whom Company A sought to merge.

55. In addition, pursuant to the consulting agreement, Baron helped Company A consolidate its debt.

56. Baron failed to inform Equity about his ongoing consulting relationship with Company A as an outside business activity or to seek prior approval from the firm.

57. To the contrary, in or around October 2015, Baron told the firm's compliance director orally that he did not have any ongoing affiliation or relationship with Company A.

58. Baron also repeatedly concealed his relationship with Company A in documents submitted to Equity.

59. Between 2015 and 2017, Baron submitted two annual compliance certifications to Equity that covered the time period in which the consulting agreement was effective.

60. In these certifications, Baron attested to complying with the firm's policies and also represented that he did not engage in any undisclosed outside business activities or participate in any private securities transactions.

61. Baron's attestations were false because Baron did not disclose to Equity his ongoing business relationship with Company A.

62. The 2016 certification was also false because Baron did not disclose to Equity his involvement in a series of private securities transactions involving the unregistered sale of Company A's common stock to Investors A and B, as alleged above, in 2016.

**E. Baron Made Additional False Statements to Investors A and B in 2018 and 2019**

63. Investors A and B did not receive any return on their purchases of Company A shares in 2016, 2017, or 2018.

64. In September 2017, the SEC suspended trading in Company A's common stock due to the company's persistent failure to file Forms 10-Q and Forms 10-K.

65. On October 5, 2017, the SEC revoked the registration of Company A's common stock.

66. During late 2018, Investor A regularly asked Baron for updates on Company A and when she and Investor B would receive payment for the Company A common stock they had purchased.

67. In response, Baron repeatedly reassured Investor A that he was in active contact with the Company A CEO on her behalf and that she and Investor B would receive high returns on their Company A stock.

68. For example, on December 11, 2018, Investor A sent Baron a text message to ask if there was progress at Company A. Baron wrote back to Investor A by text message a minute later to reassure her that Company A was making progress.

69. On December 13, 2018, Investor A followed up with another text message to Baron to say that she and her husband were "miserable" and buying Company's A stock "had messed up our retirement."

70. Baron responded with a text message on the same day, reassuring Investor A that "this will work out the way it is intended," that "the returns [for Investors A and B] will be extremely high" returns, and that this "will resolve everything in your life."

71. Baron had no basis to give Investors A and B these and similar false assurances because as of December 2017 he knew that Company A's stock had already been delisted from trading by the SEC.

72. In late January 2019, Baron arranged for the Company A CEO to meet with Investors A and B to discuss their investment.

73. Company A's CEO met with Investors A and B at Investor A's medical office in midtown Manhattan on February 7, 2019.

74. On February 8, 2019, Baron received a text message from Investor A that summarized the February 7 meeting, including the CEO's promise to "give back all [Investors A and B's] funds" as part of a share buyback and to "send [them] documents from [Company A's] lawyer in Singapore."

75. Over the next two months, Baron continued to make false statements via text message regarding the supposed share buyback.

76. For example, on March 11, 2019, Baron told Investor A in a series of text messages that he knew "[the CEO] is willing" to pay her back and that "[Company A's CEO's] company is a[] lot bigger than what you['re] being told."

77. Investor A sent Baron a text on May 23, 2019, to demand that Company A "give us back our funds[.]" In response, on the same day, Baron reassured her that Company A "has been successful in what they were looking to accomplish" and that "monies are being released."

78. When Baron gave these assurances to Investor A, he did not have a reasonable basis to believe that funds were being released by Company A.

79. On May 30, 2019, having not received a return of their funds, Investors A and B submitted a complaint to FINRA alleging that Baron, other individuals and an insurance company defrauded them in connection with their investments into Company A.

**F. Baron Made False Statements to Equity in Connection with a 2019 FINRA Inquiry**

80. Equity received a request for information from FINRA in July 2019 concerning Investor A and B's purchases of Company A's stock.

81. A compliance director at Equity asked Baron about his involvement in Investor A and B's purchases.

82. Baron told the compliance director orally that he was not involved in Investor A and B's investments in NAEG.

83. Baron also provided the Compliance Director with a written statement dated August 7, 2019 that stated that when Investor A had contacted him "several months ago" and told him that she and her husband "wanted to rescind their [investment in Company A]," Baron told Investor A that she needed "to contact [the CEO of Company A], as I was not involved with that investment."

84. These statements were false because, as alleged above, Baron recommended, facilitated, and was paid as a result of their investment in 2016 and was also directly involved in discussions between Investors A and B and Company A during the first five months of 2019 relating to the purported share buyback.

85. Additionally, after Baron received a request for information from FINRA in September 2019, Baron made false statements to a compliance director at Equity regarding his relationship with Company A.

86. Baron provided the compliance director with a written document dated September 10, 2019 that stated, in part, "[m]y prior dealings with [Company A's CEO] were around 2008, as I was a consultant for the company which was disclosed on my u4 [sic] after getting permission from my firm, and my role was to bring to them companies needing or looking for financing."

87. That statement was false because, as alleged above, Baron had a consultancy agreement with Company A that was in effect during his time at Equity.

**G. Baron Provided False Statements in Response to FINRA's Information Requests in 2019**

88. On July 19, 2019, FINRA staff issued requests for information and documents to Equity in relation to Investor A and B's complaint. The July 19 request asked for a written statement from Baron in response to the claims made in Investors A and B's complaint to FINRA.

89. On August 7, 2019, Baron submitted a written response to FINRA's July 19 request. In that response, Baron stated that he referred Investors A and B to Company A's CEO, but "had no involvement or compensation regarding [Investors A and B's] investment[s] with [Company A.]"

90. Baron's statement that he had no involvement with Investors A and B's investment in Company A was false because, as alleged above, Baron recommended and facilitated their purchases of Company A's stock.

91. Baron also stated in his August 7 written response to FINRA that after he learned that Investors A and B "wanted to rescind their Company A investment," he told them to contact the CEO instead of himself because Baron "was not involved with that investment or company."

92. That statement was also false because, as alleged above, Baron was involved in the investment and in Company A.

93. On September 6, 2019, FINRA staff issued a request to Baron pursuant to FINRA Rule 8210, which asked for an "explanation of your relationship with [the Company A CEO] including, but not limited to, length of relationship, origin of relationship, [and] any business dealings past or present[.]"

94. On September 20, 2019, Baron submitted to FINRA a written response to the September 6 request. In response to the question about his relationship with the Company A CEO, Baron stated that although he first “met [the CEO] approximately 25 years ago,” his “only business dealings with the CEO lasted for a short length of time” and his “sole role [was] introducing companies looking or needing financing.”

95. This explanation of Baron’s relationship with the Company A CEO was false because Baron began providing consulting services to Company A in 2005 and had a consulting agreement in effect for three years from July 2014 until June 2017.

96. This explanation also was false because, as alleged above, Baron had facilitated investments in Company A by Investors A and B, and, as recently as 2018 and 2019, Baron was communicating with Investor A, including on behalf of the CEO, concerning the purported share buyback plan by Company A.

**FIRST CAUSE OF ACTION**  
Misrepresentations and Omissions  
(Violation of FINRA Rule 2010)

97. The Department of Enforcement realleges and incorporates by reference paragraphs 1-97 above.

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

99. Material misrepresentations and omissions to investors violate FINRA Rule 2010.

100. As alleged above in paragraphs 29-34, Baron made material misrepresentations in 2016 to Investors A and B in connection with his recommendation of Company A’s stock. The financial and business prospects of Company A were material facts to Investors A and B when they were deciding whether or not to invest.

101. In addition, as alleged above in paragraphs 36-44, at the time of his 2016 recommendations, Baron failed to disclose to Investors A and B that he was a consultant for Company A and had a financial stake in their investment as a result of his agreement with Company A.

102. Baron's consulting and financial relationship with Company A and his financial interest in Investors A and B's securities transactions were material facts required to be disclosed in the context of his recommendations to Investors A and B.

103. In 2018 and 2019, Baron made additional, material false statements to Investor A as alleged in paragraphs 66-71 and 75-78 above in connection with a purported buyback of Investors A and B's shares of Company A.

104. Baron acted at least negligently in making the misrepresentations and omitting material facts as described above.

105. As a result of the foregoing, Baron violated FINRA Rule 2010.

**SECOND CAUSE OF ACTION**  
Failure to Disclose Outside Business Activities  
(Violation of FINRA Rules 3270 and 2010)

106. The Department of Enforcement realleges and incorporates by reference paragraphs 1 through 105 above.

107. At all relevant times, FINRA Rule 3270 provided that:

“[n]o registered person may be an employee, independent contractor, sole proprietor, officer, director or partner of another person, or be compensated, or have the reasonable expectation of compensation, from any other person as a result of any business activity outside the scope of the relationship with his or her member firm, unless he or she has provided prior written notice to the member, in such form as specified by the member.”

108. A violation of FINRA Rule 3270 is also a violation of FINRA Rule 2010.

109. Throughout Baron's associated with Equity starting in August 2015, Equity's procedures required associated persons to provide written notice and to obtain approval prior to engaging in any outside business activity.

110. During the period from August 2015 until June 2017, as alleged in paragraphs 14-16 and 52-56, Baron had an ongoing business relationship with Company A pursuant to a Strategic Consulting Services Agreement.

111. Pursuant to that agreement, Baron expected to receive compensation and, in 2016, in fact received \$284,890 in compensation from Company A.

112. Baron failed to provide prior written notice to Equity concerning his business relationship with Company A.

113. As a result of the foregoing, Baron violated FINRA Rules 3270 and 2010.

**THIRD CAUSE OF ACTION**  
Private Securities Transactions  
(Violation of FINRA Rules 3280 and 2010)

114. The Department of Enforcement realleges and incorporates by reference paragraphs 1 through 113 above.

115. At all relevant times, FINRA Rule 3280 provided that "[n]o person associated with a member shall participate in any manner in a private securities transaction" unless, prior to participation, he or she provides "written notice to the member with which he is associated describing in detail the proposed transaction and person's proposed role therein[.]"

116. At all relevant times, FINRA Rule 3280 defined a private securities transaction as "any securities transaction outside the regular course or scope of an associated person's employment with a member[.]"

117. Violations of FINRA Rule 3280 are also violations of FINRA Rule 2010.

118. As alleged above in paragraphs 20-28, between March and September 2016, while he was associated with Equity, Baron participated in four private securities transactions by recommending and facilitating Investors A and B's purchases of 4,348,000 shares of Company A's common stock for \$359,806.16.

119. These transactions were done away from Equity and were outside the regular course or scope of Baron's employment with Equity.

120. Baron did not provide written notice to Equity of his role in the sale of Company A's common stock to Investors A and B prior to participating in those securities transactions.

121. Baron also failed to obtain written authorization from Equity to participate in those securities transactions.

122. As a result of the foregoing, Baron violated FINRA Rules 3280 and 2010.

**FOURTH CAUSE OF ACTION**  
**Misrepresentations to Equity Services**  
**(Violation of FINRA Rule 2010)**

123. The Department of Enforcement realleges and incorporates by reference paragraphs 1 through 122 above.

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

125. Misrepresentations to one's member firm violate FINRA Rule 2010.

126. As alleged above in paragraphs 57-62 and 81-87, Baron made false statements orally and in writing to compliance staff at Equity Services.

127. By making misrepresentations to his member firm, Baron violated FINRA Rule 2010.

**FIFTH CAUSE OF ACTION**  
**Misrepresentations to FINRA**  
**(Violation of FINRA Rules 8210 and 2010)**

128. The Department of Enforcement realleges and incorporates by reference paragraphs 1 through 127 above.

129. As alleged above, FINRA Rule 2010 requires members and associated persons to “observe high standards of commercial honor and just and equitable principles of trade.”

130. Providing false and misleading information to a FINRA request, including a request that does not specifically cite FINRA Rule 8210, is a violation of FINRA Rule 2010.

131. Separately, FINRA Rule 8210(a)(1) authorizes FINRA, in the course of an investigation, to require persons subject to its jurisdiction to “provide information orally [or] in writing . . . with respect to any matter involved in the investigation . . .” FINRA Rule 8210(c) further requires those persons to provide such information when requested by FINRA.

132. Providing false and misleading information to FINRA in response to an 8210 request violates both FINRA Rule 8210 and FINRA Rule 2010.

133. As alleged above in paragraphs 88-92, on August 7, 2019, Baron submitted a false written statement to FINRA in response to a request for information issued by FINRA Staff.

134. By providing false information to FINRA, Baron violated FINRA Rule 2010.

135. As alleged above in paragraphs 93-96, on September 20, 2019, Baron submitted a false written statement to FINRA in response to a request for information issued by FINRA Staff pursuant to FINRA Rule 8210.

136. By providing false information to FINRA in response to Rule 8210 request, Baron 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 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: December 14, 2023

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