

**NASD OFFICE OF HEARING OFFICERS**

**DEPARTMENT OF ENFORCEMENT,**

Complainant,

v.

**WILLIAM E. JASKO,**  
(CRD No. 210311)

Respondent.

Disciplinary Proceeding  
No. C9B040112

Hearing Officer – SNB

**ORDER ACCEPTING  
OFFER OF SETTLEMENT**

Date: September 16, 2005

**INTRODUCTION**

Disciplinary Proceeding No. C9B040112 was filed on or about January 3, 2005, by the Department of Enforcement of NASD (“Complainant”). Respondent William E. Jasko (“Jasko”) submitted an Offer of Settlement (“Offer”) to Complainant on or about September 16, 2005. Pursuant to Code of Procedure Rule 9270(e), the Complainant and the National Adjudicatory Council (“NAC”) or the Office of Disciplinary Affairs (“ODA”) have accepted the uncontested Offer. Accordingly, this Order is now issued pursuant to Code of Procedure Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD is a party, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of

the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by NASD.

### **BACKGROUND**

1. Jasko became registered with NASD as a Series 7 general securities representative on or about December 3, 1990.
2. From on or about October 1, 1990, through on or about March 31, 2000, Jasko was employed by Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), an NASD member firm.
3. On or about April 24, 2000, Merrill Lynch filed a Form U-5 on behalf of Jasko voluntarily terminating his employment as of March 31, 2000.
4. From on or about March 31, 2000, through on or about April 23, 2002, Jasko was employed by Salomon Smith Barney, Inc. ("Salomon"), an NASD member firm.
5. On or about May 1, 2002, Salomon filed a Form U-5 on behalf of Jasko terminating his employment as of April 23, 2002. This Form U-5 disclosed that Jasko was "Permitted to Resign."
6. After the original Form U-5's filed on his behalf, Salomon filed several amendments disclosing a substantial number of customer complaints and/or arbitrations against Jasko which allege that he engaged in various acts of misconduct, including the following:

11/01/02: Form U-5 amendment filing by Citigroup<sup>1</sup> disclosing customer complaints by TA and LA, FB and MB, WG and NG and MA. These complaint included allegations of churning and unsuitability.

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<sup>1</sup> Salomon Smith Barney, Inc. is a division of Citigroup.

The complaints were settled with MA receiving \$43,000, FB and MB receiving \$61,250, WG receiving \$77,000, and TA and LA receiving \$65,000;

- 02/10/03: Form U-5 amendment filing by Citigroup disclosing a customer complaint by JT, JW, JC and WL. Complaint asserts, among other allegations, suitability and churning. There were unspecified damages;
- 05/21/03: Form U-5 amendment filing by Citigroup disclosing a customer complaint by LH and NH, alleging, among other allegations, suitability and churning. There were unspecified damages;
- 05/28/03: Form U-5 amendment filing by Citigroup disclosing a customer complaint by JM and KM. The complaint, putting forth various allegations including suitability, settled for \$450,000;
- 07/10/03: Form U-5 amendment filing by Citigroup disclosing an arbitration involving customers JW and RW, WL and ML, JT and IT, JC and MC, WH and EH, LW, DW and KW, seeking damages of \$7,600,014;
- 09/10/03: Form U-5 amendment filing by Citigroup disclosing a complaint by customer RC, alleging gross negligence. The claim was denied;
- 02/09/04: Form U-5 amendment filing by Citigroup disclosing a complaint by customers FS, RS, TS and SS, VS, SS, JL, MC, RF, MF, RT and JT, WM and MM, HG and JG, KN, MF, PC, JC, JJ, BS, RA, AG, JG, RM, MB, SB and YA. Complaint asserted, among various allegations, unsuitable trading, seeking damages of \$12,000,000; and
- 03/19/04: Form U-5 amendment filing by Citigroup disclosing a complaint by customer DT, stating allegations including churning and suitability. Complaint seeks \$110,940.58 in damages.

7. The violations alleged in the Complaint occurred while Jasko was associated with Merrill Lynch and/or Smith Barney.
8. Jasko is not currently registered with any NASD member firm, but is still within the jurisdiction of NASD pursuant to Article V, Section 4, of NASD's By-Laws. Jurisdiction over Jasko expires on or about March 18, 2006, which is two years after the date that the last member firm that he was associated with filed an amended Form U-5 on his behalf, and such amendment was filed within two years of Jasko's termination.

### **FINDINGS AND CONCLUSIONS**

It has been determined that the Offer be accepted and that findings be made as follows:

#### **A. Customer KR's accounts**

1. In or about September 1999, after being introduced to Jasko by an attorney, customer KR opened an individual securities account (#[REDACTED]) at Merrill Lynch.
2. Jasko served as KR's account executive from inception.
3. At the time KR opened his individual account at Merrill Lynch, he was in his forties, married and had a young child.
4. Several years before opening this account, KR was involved in a devastating automobile accident which left him unable to work. KR also suffers from H.I.V.
5. Prior to his automobile accident, KR was employed as a carpenter.
6. While Jasko serviced KR's accounts, KR had an annual income of less than \$50,000.
7. KR funded his individual account through cash deposits totaling approximately \$518,000. These funds were derived from the proceeds he received from the settlement of a personal injury case related to his automobile accident. These settlement funds represented KR's entire net worth.

8. Prior to opening this account, KR had no securities investment experience.
9. While Jasko served as his account executive, KR relied on Jasko's investment recommendations. Moreover, Jasko, who is also a pastor, repeatedly used his position as a pastor to obtain KR's trust. Specifically, Jasko told KR that, "If you believe in Christ, I will make you get rich. God Blesses all that follow him." Similarly, when KR expressed concern to Jasko regarding the decline in the value of his account, Jasko sought to remedy the situation by praying, "Oh Jesus, help our stocks go up. In the name of the Lord, please Jesus, help the markets go up."
10. When his individual account was opened, KR sought to have a diversified portfolio that would be managed conservatively. KR's objectives never changed. Moreover, KR expected to use the funds in his account to support his family.
11. Between September 1999 and November 1999, Jasko primarily recommended that KR purchase and sell positions in concentrated speculative technology stocks. These purchases totaled approximately \$761,856, while the average monthly equity was approximately \$511,076.
12. In or about November 1999, KR created a Trust and opened a Trust account (██████████) at Merrill Lynch. When this account was opened, KR's individual account was closed and the holdings in KR's individual account were transferred into the Trust account.
13. Between in or about December 1999 through in or about March 2000, Jasko primarily continued to recommend that KR purchase and sell concentrated speculative technology stocks in the Merrill Lynch Trust account. These purchases totaled approximately \$2,091,857, while the average monthly equity was approximately \$771,643.

14. In or about April 2000, when Jasko left Merrill Lynch and became associated with Salomon, KR opened a Trust account at Salomon [REDACTED] and transferred the holdings in his Merrill Lynch Trust account to the Salomon Trust account.
15. When transferred to Salomon, KR's account value had depreciated to approximately \$424,121 and consisted of approximately \$9,145 in cash and three stocks: General Electric (\$15,725); JDS Uniphase Corp. (\$207,376) and PMC-Sierra Inc. (\$191,875).
16. Between in or about April 2000 through in or about February 2001, Jasko primarily continued to recommend that KR purchase and sell concentrated speculative technology stocks in the Salomon Trust account. These purchases totaled approximately \$1,924,291, while the average monthly equity was approximately \$390,919.
17. From in or about September 1999 through in or about February 2001, (the "relevant time period") Jasko, while exercising effective control over customer KR's accounts, effected or caused to be effected numerous and excessive purchase and sale transactions in KR's account, as more fully detailed in Exhibits A-C attached to the Complaint and incorporated herein by reference, without having reasonable grounds for believing that such transactions were suitable for KR in view of the size and frequency of the transactions, concentration of speculative securities, the nature of the account and his financial situation, investment objectives and needs.
18. The transactions referred to in paragraph 17 above were excessive, costing a total of approximately \$4,778,005 and resulting in a turnover ratio of 9.642 and a cost-to-equity ratio (converted to percentage) of approximately 16%. Accordingly, during this time period KR would have had to earn a 16% return just to break even.

19. During the relevant time period, customer KR paid approximately \$66,128 in commissions and approximately \$15,042 in margin interest, while sustaining losses of approximately \$291,346.
20. Many of the transactions referred to in paragraph 17 above were effected through the use of margin and resulted in KR incurring additional costs of at least approximately \$15,042 in margin interest. Specifically, in October 2000, KR's Salomon Trust account had a margin balance of approximately \$159,280, while the equity was \$438,935. By the end of January 2001, the margin balance had increased to a high of approximately \$304,211, while the equity was \$225,320.
21. The margin utilized by Jasko in KR's account was unsuitable for KR in view of the size and the nature of the account and KR's financial situation and needs.
22. In addition, during the relevant time period, Jasko also recommended numerous purchase and sale transactions resulting in KR's account having concentrated positions in speculative securities, without having reasonable grounds for believing that such transactions were suitable. The following chart highlights several of these positions:

| Month-End  | Account Equity | Security     | Value of Position | % of Equity |
|------------|----------------|--------------|-------------------|-------------|
| April 2000 | \$424,121      | PMC Sierra   | \$191,875         | 45%         |
| April 2000 | \$424,121      | JDS Uniphase | \$207,376         | 49%         |
| Nov 2000   | \$340,943      | SDL Inc      | \$329,700         | 97%         |
| Feb 2001   | \$75,266       | JDS Uniphase | \$80,937          | 108%        |

23. By reason of the foregoing, Jasko violated IM-2310-2 and NASD Conduct Rules 2110 and 2310.

*B. Joint Account of Customers AD and CD*

1. In or about March 1992, customers AD and CD, husband and wife, opened a joint securities account (# [REDACTED]) at Merrill Lynch.
2. Jasko served as their account executive from inception.
3. When AD and CD opened this account they had an approximate annual income of \$100,000 to \$150,000, sought conservative growth and had no prior investing experience.
4. While Jasko served as their account executive, AD and CD relied on Jasko's investment recommendations. Moreover, Jasko repeatedly used his position as a pastor to obtain their trust. Specifically, Jasko repeatedly told AD and CD that the stocks he had recommended to them were "inspired by God" and that Jasko "was merely the Lord's functionary in passing these stocks along to his flock." Additionally, Jasko told AD and CD that "Jesus has spoken to me in picking these stocks."
5. Between in or about January 1999 through in or about March 2000, Jasko primarily recommended that AD and CD purchase and sell concentrated speculative technology stocks in their account. These purchases totaled approximately \$8,888,659, while the average monthly equity was approximately \$217,021.
6. From in or about January 1999 through in or about March 2000, Jasko, while exercising effective control over their account, effected or caused to be effected numerous and excessive purchase and sale transactions in AD's and CD's account, as more fully detailed in Exhibit D attached to the Complaint and incorporated herein by reference, without having reasonable grounds for believing that such transactions were suitable for AD and CD in view of the size and frequency of the transactions, concentration of

speculative securities, the nature of the account and the customers' financial situation, investment objectives and needs.

7. The transactions referred to in paragraph 6 above were excessive, costing a total of approximately \$8.8 million and resulting in a turnover ratio of 40.97 and a cost-to-equity ratio (converted to percentage) of approximately 38%. Accordingly, during this time period, AD and CD would have had to earn a 38% return just to break even.
8. Between January 1999 and March 2000, customers AD and CD paid approximately \$46,085 in commissions, while sustaining losses of approximately \$217,021.
9. By reason of the foregoing, Jasko violated IM-2310-2 and NASD Conduct Rules 2110 and 2310.

C. Joint Account of Customers TA and LA

1. In or about October 1997, customers TA and LA, husband and wife, opened a joint securities account (#[REDACTED]) at Merrill Lynch.
2. Jasko served as their account executive from inception.
3. When TA and LA opened this account they had an approximate annual income of \$50,000 to \$100,000, they sought, among other things, a total return on their investment and their prior investment experience was limited to investing in mutual funds and bonds.
4. While Jasko served as their account executive, TA and LA relied on Jasko's investment recommendations. Moreover, Jasko repeatedly used his position as a pastor to obtain their trust. Specifically, Jasko repeatedly told TA and LA that, "God would 'increase the price' of the stocks he recommended to them if they 'tithed' money to religious causes . . . and lived a 'good Christian life.'" Additionally, Jasko told TA and LA the "God wants

you to be rich.” Furthermore, Jasko told TA that “God’s working for me, not the guys at *Barron’s*.”

5. Between in or about January 1999 through in or about March 2000, Jasko primarily recommended that TA and LA purchase and sell concentrated speculative technology stocks in their account. These purchases totaled approximately \$1,741,427, while the average monthly equity was approximately \$185,201.
6. From in or about January 1999 through in or about March 2000, Jasko, while exercising effective control over their account, effected or caused to be effected numerous and excessive purchase and sale transactions in TA’s and LA’s account, as more fully detailed in Exhibit E attached to the Complaint and incorporated herein by reference, without having reasonable grounds for believing that such transactions were suitable for TA and LA in view of the size and frequency of the transactions, concentration of speculative securities, the nature of the account and the customers’ financial situation, investment objectives and needs.
7. The transactions referred to in paragraph 6 above were excessive, costing a total of approximately \$1.7 million and resulting in a turnover ratio of 9.403 and a cost-to-equity ratio (converted to percentage) of approximately 13%. Accordingly, during this time period TA and LA would have had to earn a 13% return just to break even.
8. Between January 1999 and March 2000, customers TA and LA paid approximately \$19,849 in commissions.
9. By reason of the foregoing, Jasko violated IM-2310-2 and NASD Conduct Rules 2110 and 2310.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by NASD, of its regulatory responsibility under the Securities Exchange Act of 1934.

#### **SANCTIONS**

It is ordered that Respondent Jasko shall be barred from association with any NASD member in any capacity.

The sanctions imposed herein shall be effective on a date set by NASD staff. Pursuant to IM-8310-2(f), a bar or expulsion is effective upon approval or acceptance of this Order by the NAC.

**SO ORDERED.**

**NASD**

By: 

David B. Klafter, Regional Counsel, on behalf of the Director of ODA, pursuant to delegated authority.