

NASD OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

DEAN BAKER
(CRD No. 4493790)

Respondent.

Disciplinary Proceeding
No. E072003109501

Hearing Officer -

COMPLAINT

Upon information and belief, Complainant alleges as follows:

RESPONDENT

Respondent Dean Baker ("Baker") was first registered as a general securities representative in February 2002, while associated with former member L.H. Ross & Company, Inc. ("LH Ross"). Baker was employed by LH Ross until August 2004. He was subsequently employed by two other member firms in non-registered capacities and was last employed by a member in August 2005. Baker is not currently employed by a NASD member, however he remains subject to the jurisdiction of the NASD pursuant to Article V, Section 4 of the NASD Bylaws.

FOR A CAUSE OF COMPLAINT

Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder and NASD

Conduct Rules 2110 and 2120

(Unauthorized Transactions)

1. The allegations contained in paragraph 1 above, are hereby realleged and incorporated herein by reference.

2. Baker executed numerous unauthorized trades in multiple customer accounts, used margin without authorization and overbought trades that were authorized in a pattern of knowing misconduct. Specifically, he entered a total of twenty-two (22) unauthorized trades in seven (7) customer accounts during a 19-month period from May 2002 to November 2003, while employed by LH Ross.

Customer SR

3. Customer SR opened a securities account with LH Ross after receiving a “cold call” in 2000. His account was subsequently transferred to Baker in July 2002.
4. Shortly thereafter, Baker recommended that SR purchase shares of Consolidated Mercantile, Inc. common stock (“CSLMF”). SR agreed to purchase 35 shares with the available cash balance in his account.
5. During late October 2002, Baker recommended that SR purchase additional shares of CSLMF. SR authorized Baker to purchase an additional 500 shares and deposited \$5,500 in his account.
6. Soon after that, SR received a confirmation indicating that on October 31, 2002, 965 shares of CSLMF were purchased for his account using margin.
7. SR did not authorize Baker to use margin in his account or to purchase the additional 465 shares of CSLMF.
8. Then in February 2003, SR received confirmations indicating that 450 shares of Oracle Corp. common stock (“ORCL”) were purchased on February 7th and sold on February 19, 2003, and 400 shares of Cisco Systems, Inc. common stock (“CSCO”) were purchased on February 19th and sold on February 21, 2003.

9. SR did not authorize Baker to enter the purchases and sales of ORCL and CSCO, as more fully described in Exhibit A attached hereto and incorporated herein by reference, and had no knowledge of such transactions until he received the confirmations.

Customer JD

10. Customer JD established an account with LH Ross in 2000, after receiving a “cold call” from an LH Ross representative. JD’s account was transferred to Baker in or about April 2002.
11. In or about April 2002, JD authorized Baker to sell 1,000 shares of PMC-Sierra, Inc. common stock valued at almost \$15,000 and use the proceeds to purchase shares of Nextel, Inc. (“NXTL”).
12. Instead of following JD’s instructions, Baker purchased 4,500 shares of NXTL common stock, as more fully described in Exhibit A attached hereto and incorporated herein by reference, at a cost of almost \$28,000 using margin.
13. JD did not authorize Baker to use margin in his account or to purchase more than \$15,000 of NXTL common stock.

Customer MH

14. In January 2003, customer MH opened a securities account as a result of a “cold call” from Baker. MH understood that he opened a cash account and funded the account in February with a check in the amount of \$10,000.
15. He authorized Baker to purchase a basket of stocks worth \$10,000.
16. Instead of following MH’s instructions, on February 19, 2003, Baker purchased 1,300 shares of CSCO for almost \$18,800 using margin.

17. MH did not authorize Baker to use margin in his account or the purchase position greater than \$10,000.
18. Baker then sold the CSCO position on February 21, 2003, but purchased 2,200 units of NCE Petrofund I TR with a cost of almost \$18,250, again with the use of margin.
19. The purchase and sale of CSCO common stock and the purchase of NCE Petrofund I TR units, as more fully described in Exhibit A attached hereto and incorporated herein by reference, were executed by Baker without MH's knowledge or authorization.

Customer ND

20. Customer ND established a securities account with Baker at LH Ross in February 2003, based upon a referral from a friend.
21. ND deposited \$10,000 into his account and executed various transactions in his account including the purchase of 500 shares of Omnivision Technologies, Inc. ("OVTI") common stock.
22. On July 8, 2003, Baker sold the 500 shares of OVTI in ND's account and purchased 1,350 shares of Internet Initiative Japan, Inc. ("IIJI") worth almost \$19,000. Then, on July 15, 2003, Baker purchased 1,500 shares of ASAT Holdings, Ltd. ("ASTT") at a cost of \$1,960.
23. The sale of OVTI common stock and the purchase of both IIJI and ASTT common stock, as more fully described in Exhibit A attached hereto and incorporated herein by reference, were executed by Baker without ND's knowledge or authorization.

Customer SM

24. Customer SM opened a securities account with LH Ross after receiving a "cold call" in 2000. His account was subsequently transferred to Baker in March 2003.

25. In November 2003, SM was in the process of transferring his LH Ross account to another broker dealer. In early December 2003, SM received confirmations indicating that Baker sold his 1,765 shares of CSLMF common stock and purchased 500 shares of Blue Rhino Corp. ("RINO").
26. The sale of CSLMF common stock and the purchase of RINO common stock, as more fully described in Exhibit A attached hereto and incorporated herein by reference, were executed by Baker without SM's knowledge or authorization.

Customer JG

27. In or about September 2003, customer JG opened a securities account as a result of a "cold call" from Baker and authorized the purchase of 5 Ebay, Inc. ("Ebay") call option contracts.
28. Baker purchased the Ebay call option contracts and a little over a week later sold them pursuant to JG's authorization.
29. In October 2003, JG received confirmation indicating that Baker had purchased 5 Yahoo call option contracts and subsequently sold them in JG's account. In addition, a few days after the sale of the Yahoo call option contracts, Baker purchased 7 IBM call option contracts in JG's account.
30. The purchase and sale of the Yahoo call option contracts and the purchase of the IBM call option contracts, as more fully described in Exhibit A attached hereto and incorporated herein by reference, were executed by Baker without JG's knowledge or authorization.

Customer DS

31. In or about July 2003, customer DS opened a securities account as a result of a "cold call" from Baker. DS sent an e-mail to Baker with account opening information and indicated

that he wanted Baker to obtain his authorization prior to entering any transactions in his account.

32. DS authorized the purchase and sale of a 500-share position in IJI, and the subsequent purchase of 3,000 shares of Sirius Satellite Radio, Inc. ("SIRI").
33. In October 2003, Baker recommended that DS purchase call option contracts, and, although DS declined to purchase any at that time, he agreed to open an options account and deposit \$3,500 for future purchases.
34. From October 10 through October 27, 2003, DS was traveling outside the United States.
35. When he returned from his trip, DS learned that Baker had sold his position in SIRI common stock in two separate transactions, that he had purchased 40 IBM call option contracts in two transactions, and had also purchased 450 shares of Corning, Inc. common stock.
36. The two sales of SIRI common stock, the two purchases of IBM call option contracts and the purchase of Corning, Inc. common stock, as more fully described in Exhibit A attached hereto and incorporated herein by reference, were executed by Baker without DS' knowledge or authorization.
37. The fact that Baker executed unauthorized trades, overbuys and/or used margin without authorization in the accounts of SR, JD, MH, ND, SM, JG and DS are material facts.
38. Baker acted with scienter in connection with the unauthorized trading in the accounts of SR, JD, MH, ND, SM, JG and DS in that he knew the trading at issue was conducted without authorization or, at a minimum, he was recklessly indifferent to whether the customers had authorized the trades.

39. The unauthorized use of margin, the purchase of a larger quantity of stock than was authorized, and each unauthorized transaction effected in the accounts of SR, JD, MH, ND, SM, JG and DS constitute separate and distinct violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder and Conduct Rules 2110 and 2120 by Respondent Baker.

PRAYER FOR RELIEF

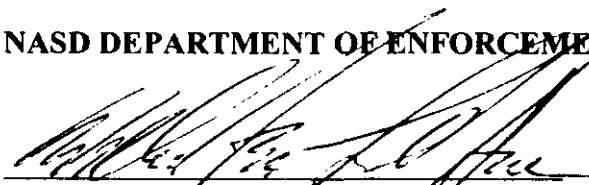
WHEREFORE, Complainant respectfully requests:

- A. Findings of fact and conclusions of law that Respondent committed the violations alleged within this Complaint;
- B. An order imposing sanctions upon the Respondent in accordance with NASD Rule 8310;
- C. An order requiring Respondent to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest;
- D. An order imposing such costs of any proceeding as are deemed fair and appropriate under the circumstances in accordance with NASD Rule 8330; and
- E. An order imposing any other fitting sanction.

NASD DEPARTMENT OF ENFORCEMENT

Date:

12/9/05



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EXHIBIT A

CUSTOMER SR					
Date	Transaction	Security	Quantity	Price	Total Cost*
10/31/02	Purchase	CSLMF	965	11.55	\$11,176
02/07/03	Purchase	ORCL	450	11.55	\$5,328
02/19/03	Sale	ORCL	450	12.27	\$5,491
02/19/03	Purchase	CSCO	400	14.32	\$5,858
02/21/03	Sale	CSCO	400	14.36	\$5,713

CUSTOMER JD					
Date	Transaction	Security	Quantity	Price	Amount
05/02/02	Purchase	NXTL	4,500	6.10	\$27,980

CUSTOMER MH					
Date	Transaction	Security	Quantity	Price	Total Cost
02/19/03	Purchase	CSCO	1,300	14.33	\$18,759
02/21/03	Sale	CSCO	1,300	14.36	\$18,637
02/25/03	Purchase	NCE Petrofund I TR Unit	2,200	8.19	\$18,248

CUSTOMER ND					
Date	Transaction	Security	Quantity	Price	Total Cost
07/08/03	Sale	OVTI	500	38.42	\$19,179
07/08/03	Purchase	IIJI	1,350	14.0	\$18,930
07/15/03	Purchase	ASTT	1,500	1.22	\$1,960

CUSTOMER SM					
Date	Transaction	Security	Quantity	Price	Total Cost
11/28/03	Sale	CSLMF	1,765	4.91	\$8,635
11/28/03	Purchase	RINO	500	12.64	\$6,650

CUSTOMER JG					
Date	Transaction	Security	Quantity	Price	Total Cost
10/07/03	Purchase	Yahoo Inc \$40 Call Option	5	2.25	\$1,205

* Includes a postage and handling fee.

10/09/03	Sale	Yahoo Inc. \$40 Call Option	5	3.50	\$1,595
10/13/03	Purchase	IBM Call Option \$95 Exp. 11/22/03	7	2.35	\$1,725

CUSTOMER DS					
Date	Transaction	Security	Quantity	Price	Total Cost
10/13/03	Sale	SIRI	750	2.18	\$1,554
10/13/03	Purchase	IBM Call Option \$95 Exp 11/22/03	20	2.35	\$4,830
10/14/03	Sale	SIRI	2,250	2.4	\$5,269
10/14/03	Purchase	Corning, Inc	450	11.1	\$5,125
10/24/03	Purchase	IBM Call Option \$95 Exp 11/22/03	20	.25	\$530