

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF STATE
BUREAU OF SECURITIES REGULATION**

IN THE MATTER OF:)
)
Legend Securities, Inc. &) FINDINGS, RULINGS AND ORDER
Steven Meyer) INV2015-00019
)
Respondents)
)

Procedural History

On November 30, 2016, the Bureau of Securities Regulation (hereinafter referred to as “the Bureau”) filed a Staff Petition for Relief against the above-captioned Respondents alleging violations of New Hampshire RSA 421-B and requesting relief, including summary suspension or revocation of the licenses of the Respondents, issuance of an order to show cause, and payment of fines and restitution. The Bureau alleged that from September 2013 to January 2016 the Respondents made cold calls to three investors, in one case despite the investor being registered on the Federal Trade Commission’s “Do Not Call” list, and talked each investor, through the use of high pressure sales tactics, into speculative stock trades that were selected by Respondent Meyer. The investors’ accounts were then rapidly and excessively traded with extensive losses resulting, and confirmations to the customer were mismarked to give the appearance that the investors had made the recommendations when in fact Respondent Meyer had made the recommendations. In addition, the Bureau alleged that the Respondents failed to close investor accounts upon request and in a timely fashion.

An Order of Summary Suspension and Order to Show Cause was issued on December 9, 2016, commencing the adjudicative proceeding in this matter. Respondent Legend Securities, Inc., having been duly notified, failed to request a hearing within 30 calendar days of the receipt of the Staff Petition and Order and was therefore defaulted pursuant to N.H. RSA 421-B. On January 19, 2017, the presiding officer received from Respondent Steven Meyer a request for an extension to prevent him from being defaulted in the above-referenced matter. Upon the receipt of subsequent letters further clarifying Respondent Meyer’s request, it became apparent that Respondent Meyer’s was requesting a hearing and then an extension of time so that he and the Bureau might have an opportunity to resolve this matter without going to a hearing, such final clarification being received on February 3, 2017. The Bureau did

not object to Respondent Meyer's request. On June 8, 2017, a Revised Scheduling Order was issued setting the date for the hearing in this matter for July 11, 2017. Though notified, Respondent Meyer did not request that the hearing be continued or that the hearing schedule be extended.

On June 26, 2017, the Bureau submitted a Motion to Allow Testimony Telephonically, requesting that the Bureau's expert witness be allowed to testify by telephone or, in the alternative, that the Bureau be allowed to introduce into evidence a sworn affidavit of its expert witness. A hearing, which was scheduled and for which Respondent was duly notified, was held on the Bureau's Motion on Jun 20, 2017. Respondent Meyer did not appear. At this hearing, the Bureau represented that the Respondent had stated in an email that he was not able to attend a hearing in New Hampshire due to financial constraints. On June 27, 2017, an Order Regarding Motion to Allow Testimony Telephonically was issued in which the presiding officer allowed the introduction of an affidavit from the Bureau's expert witness in lieu of appearing at the hearing on the merits. A prehearing conference, which was scheduled and for which Respondent was duly notified, occurred on June 27, 2017. Respondent Meyer did not appear.

At 10:00 a.m. on July 11, 2017, the time and date set for final hearing on the merits, neither Respondent Meyer nor counsel representing him appeared. Additional time was allowed for Respondent Meyer to appear. He did not, and at 10:15 a.m. on July 11, 2017, the hearing was opened. The hearing was recorded.

Findings of Fact

The Bureau presented several allegations of fact in its Staff Petition for Relief, notably that:

1. Legend Securities and Steven Meyer were licensed in New Hampshire at the time of the alleged violations.
2. Investor #1, Edward Favart (hereinafter referred to as "Favart"), was a resident of Rindge, New Hampshire at the time of the alleged violations.
3. Favart was cold called by Respondent Meyer in or about October 2014 to a cell phone that was listed on the National Do-Not-Call Registry as a do-not-call phone number.
4. Favart was subsequently called several times afterwards in an attempt to pressure him into investing with the Respondents.
5. Respondent Meyer made all buy and sell recommendation in Favart's account with Respondent Legend Securities.
6. Favart was listed on a pre-filled account application as a speculative investor but in actuality was unsophisticated with little investing experience.
7. Favart attempted to close his account with the Respondents in or around September 2015, but the account was not closed until December 2015.
8. From October 2014 to August 2015, Favart lost about \$15,950.74.
9. Favart bought five stocks on the recommendation of Respondent Meyer, however the trade confirmations were marked "Unsolicited".
10. Investor #2, Michael Del Val (hereinafter referred to as "Del Val"), was a resident of Greenville, New Hampshire at the time of the alleged violations.

11. Del Val was initially called by Meyer in or about March 2015 and several times thereafter in an attempt to pressure Del Val into investing with the Respondents.
12. Respondent Meyer recommended all the stocks Del Val invested in.
13. Del Val was listed on a pre-filled account application as a speculative investor but in actuality was unsophisticated with little investing experience.
14. From March 2015 to January 2016, Del Val lost about \$12,000.00.
15. Del Val bought five stocks on the recommendation of Respondent Meyer, however the trade confirmations were marked "Unsolicited".
16. Investor #3, Kenneth Poole (hereinafter referred to as "Poole"), was a resident of Exeter, New Hampshire at the time of the alleged violations.
17. Poole was cold called by Meyer in or about September 2013.
18. Respondent Meyer made all stock recommendations to Poole.
19. Poole was listed on a pre-filled account application as a speculative investor but in actuality was unsophisticated with little investing experience.
20. From September 2013 to January 2016, Poole lost about \$30,000.00.
21. Poole bought 11 stocks on the recommendation of Respondent Meyer, however the trade confirmations were marked "Unsolicited".
22. Poole attempted to contact Respondent Meyer two or three times to close the account without success. The account was finally closed approximately January 2016

As previously noted, the Respondent did not appear for the hearing on the merits of the matter to actively contest the allegations.

At hearing, the Bureau, as a preliminary matter, introduced records from FINRA's Central Registration Depository demonstrating that the Respondents were licensed in the state of New Hampshire during the period of the alleged violations and a record of a complaint against Respondent Meyer. The Bureau then called Edward Favart as a witness. Favart was sworn in and provided identifying information. Favart confirmed that he did business with the Respondents from October 2014, that Respondent Meyer contacted his cell phone, and that his cell phone was registered on the National Do-Not-Call list. The Bureau introduced a record demonstrating Mr. Favart's cell phone was registered on the Do-Not-Call list. Favart explained that he had little investing experience and did not know what a speculative investor was. According to Favart, Respondent Meyer called him several times and encouraged him to start with a small investment, which he eventually did with \$500. Within days, Favart received a pre-filled application for him to sign. Most of the information was provided by Favart, but the topic of whether Favart was a speculative investor did not come up. Favart signed the application on October 23, 2014. According to Favart, Respondent Meyer made the decision on all buy and sell recommendations, calling Favart several times per month. The account was actively traded until approximately August 2015 and almost every stock trade resulted in a loss. Favart confirmed he never solicited any trades in his account. Favart's testimony was that Respondent Meyer stated in every case that the stock would go up in value. After three or four months of calling, Favart closed the account in December 2015.

Next, the Bureau called Michael T. Del Val, who was sworn in and provided identifying information. Del Val had never previously heard from or done business with the Respondents. Del Val testified that he and Respondent Meyer discussed his limited investing experience in one of several calls Respondent Meyer made to him before Mr. Del Val eventually decided to invest. Del Val had no investment experience aside from a 401k account with a small amount

of money. Del Val testified that Respondent Meyer offered to put him in margin but Del Val did not know what margin was. According to Del Val, he never filled in his application with Legend Securities to state that he was a speculative investor and did not know what speculative meant. The account opened in March 2013 and closed in January 2016. During that period, Del Val lost over \$10,000.00. Except for the last trade, Respondent Meyer made all recommendations on the purchase and sale of stocks, despite confirmations for five solicited stocks displaying "Unsolicited".

The Bureau then called Kenneth Poole, who was sworn in and provided identifying information. Poole testified that he had never previously heard from or done business with the Respondents when he was contacted by Respondent Meyer in or around approximately September 2013. Poole was contacted two or three times by Respondent Meyer and was solicited to invest a small amount with Respondent Meyer. Prior to investing with Legend Securities, Poole had an account for about a year with TD Ameritrade in which he had invested around \$2,000.00 and made around 5-10 trades. He described his investment experience as "not much" and his risk profile as medium. According to Poole, he never told Respondent Meyer he was a speculative investor or that his investment knowledge was good. He provided all other information on the Investment Account Application. Mr. Poole maintained the account until January 2016. He put in about \$30,000 and lost nearly all of it. Poole stated that Respondent Meyer made all of the trading decisions in his account. According to Mr. Poole, Respondent Meyer traded in Poole's account without any direction or authorization from Mr. Poole. Poole stated that he tried to contact Respondent Meyer two or three times without success to close his account. The account was eventually closed in approximately January 2016.

Lastly, the Bureau offered the Sworn Affidavit of Dr. Craig McCann, along with attachments demonstrating Dr. McCann's status as an expert witness. Dr. McCann examined the accounts of Investors #1, #2, and #3 and reviewed the trading conducted therein. Dr. McCann determined the losses in each investor account as follows: Del Val's losses were \$10,262.00; Favart's losses were \$15,944.00; and Poole's losses were \$29,918.00. According to Dr. McCann's turnover analysis of each account, he arrived at the following ratios: Del Val's turnover ratio was 24.63 (value to turnover rate); Favart's turnover ratio was 31.25; and Poole's turnover ratio 26.50. The Bureau stated it understood that a turnover ratio exceeding 2-3 or greater indicates possible churning. Dr. McCann concluded in his affidavit that these accounts exhibited extreme churning in each account. Dr. McCann calculated the total losses for all three investors at \$56,124.00.

Rulings of Law

The presiding officer makes the following conclusions of law relative to the Bureau's factual allegations (note that references to N.H. RSA 421-B in the Rulings of Law are to the statute as in effect at the time of the violations):

1. Respondent Meyer is a "person" within the meaning of N.H. RSA 421-B:2, XVI.
2. Respondent Meyer was a registered agent associated with a broker-dealer within the meaning of N.H. RSA 421-B:2, II during the time in which the violations occurred.

3. Pursuant to N.H. RSA 421-B:3-a, Respondent Meyer failed to establish he had reasonable grounds to believe that his recommendations to Investors #1-#3 were suitable for each investor based on the facts disclosed by each investor and failed to make reasonable inquiry as to each investors' other securities holdings and financial situations and needs.
4. Pursuant to FINRA Rule 2111, Respondent Meyer failed to establish a reasonable basis to believe that the securities transactions or investment strategies he recommended were suitable for Investors #1-#3 upon the basis of facts disclosed by the Investors after reasonable inquiry as to their other securities holdings and as to their financial situations and needs.
5. Pursuant to FINRA Rule 2232, Respondent Meyer failed to disclose and falsely reported numerous transactions as unsolicited when they were in fact solicited.
6. Pursuant to FINRA Rule 3230, Respondent Meyer violated the rule by initiating an outbound telephone call to Investor #1, even though he had registered his phone number on the Federal Trade Commission's national do-not-call registry.
7. Pursuant to N.H. RSA 421-B:8, X, Respondent Meyer failed to abide by the rules of FINRA, the successor organization to NASD (the National Association of Securities Dealers).
8. Pursuant to N.H. RSA 421-B:10, I(a) and (b)(2), Respondent Meyer's license to conduct securities business in New Hampshire is subject to revocation due to Respondent Meyer's failure to comply with provisions of N.H. RSA 421-B and FINRA Rules, promulgated pursuant to the federal securities laws, regarding unsuitable recommendations to customers, rapid and excessive trading, issuing false confirmations, acting dishonestly and unethically, and violating telemarketing restrictions.
9. Pursuant to N.H. RSA 421-B:10, I(a) and (b)(7), Respondent Meyer's license to conduct securities business in New Hampshire is subject to revocation due to Respondent Meyer's engaging in dishonest and unethical practices in the securities business by making rapid, excessive unsuitable trades, distributing false confirmations, calling a do-not-call phone number and failing to close customer accounts upon request and in a timely fashion.
10. Pursuant to N.H. RSA 421-B:10, I(a) and (b)(14), Respondent Meyer's license to conduct securities business in New Hampshire is subject to revocation for good cause shown.
11. Pursuant to N.H. RSA 421-B:10, III, Respondent Meyer has failed to show cause why his license should not be revoked.
12. Pursuant to N.H. RSA 421-B:10, VI, Respondent Meyer is subject to an administrative fine of \$2,500.00 for each violation of N.H. RSA 421-B.
13. Respondent Meyer is subject to a penalty of \$2,500.00 for each violation of N.H. RSA 421-B pursuant to N.H. RSA 421-B:26, III.
14. Respondent Meyer is subject to a fine and Respondent Meyer's license is subject to revocation pursuant to N.H. RSA 421-B:26, III-a.
15. Pursuant to N.H. RSA 421-B:26, V, Respondent Meyer is subject to an order requiring him to pay restitution for violations of N.H. RSA 421-B.
16. Pursuant to N.H. RSA 421-B:22, Respondent Meyer is subject to an order to pay the costs of the Bureau's investigation of this matter.

Discussion

As noted, Respondent Meyer did not appear at the final hearing on the merits, for which notice was forwarded and received. Pursuant to N.H. RSA 421-B:6-613 (w), "Any party to whom notice has been forwarded pursuant to and in accordance with [who fails to appear shall have a default judgment rendered against him." As a result, a default judgment is rendered against Respondent Meyer. In addition, the presiding officer finds that the facts as presented in the Bureau's staff petition and at hearing support the conclusions of law enumerated in the Bureau's Staff Petition for Relief by a preponderance of the evidence.

Order


Finding it necessary and appropriate and in the public interest and for the protection of investors and consistent with the intent and purpose of the New Hampshire Securities Act, N.H. RSA 421-B (as in effect at the time of the Respondent's violations), it is hereby **ORDERED**, that:

1. Respondent Meyer shall pay jointly and severally with Legend Securities, Inc. administrative penalties of \$100,000.00 for violations of N.H. RSA 421-B:3-a, N.H. RSA 421-B:8, and N.H. RSA 421-B:10.
2. Respondent Meyer shall pay jointly and severally with Legend Securities, Inc. the costs of the Bureau's investigation in the amount of \$10,000.00.
3. Respondent Meyer shall pay jointly and severally with Legend Securities, Inc. restitution to Investors #1, #2 and #3 in the amount of \$56,124.00.
4. The revocation of Respondent Meyer's license to conduct business as a broker-dealer agent in the state of New Hampshire pursuant to N.H. RSA 421-B:10, I and III is made permanent.

SIGNED,
William M. Gardner
Secretary of State
By His Designee:

Date:

7/26/17



Kevin B. Moquin
Presiding Officer
N.H. Bureau of Securities Regulation