

STATE OF NEW HAMPSHIRE DEPARTMENT OF STATE BUREAU OF SECURITIES REGULATION

IN THE MATTER OF:

Dain F. Stokes
CRD #2960801

)
) ORDER OF SUMMARY SUSPENSION,
) ORDER TO CEASE AND DESIST
)
) I-2019000029
)

NOTICE OF ORDER

This Order commences an adjudicative proceeding under the provisions of RSA 421-B:6-613.

LEGAL AUTHORITY AND JURISDICTION

Pursuant to RSA 421-B:5-501, it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly: to employ any device, scheme, or artifice to defraud; to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; or to engage in any act, practice, or course of business which operates as a fraud or deceit upon any person.

Pursuant to RSA 421-B:3-301(a) it is unlawful for any person to offer or sell any security in this state unless it is registered under RSA 421-B, exempt under RSA 421-B:2-201 through

RSA 421-B:2-203, or a federal covered security for which the fee has been paid and the notice has been filed as required by RSA 421-B:3-302.

Pursuant to RSA 421-B:6:604, the Secretary of State may summarily order a person to cease and desist from engaging in an act, practice or course of business which would constitute a violation of this chapter.

NOTICE OF RIGHT TO REQUEST A HEARING

Pursuant to RSA 421-B:6-604, Respondent has a right to request a hearing. The request must be made within 30 days from receipt of this Order. If Respondent fails to request a hearing on this Order within 30 calendar days of receipt, the order shall become final.

Any such request for a hearing shall be in writing, signed by the Respondent or by the duly authorized agent of the above named Respondent, and shall be delivered either by hand or certified mail, return receipt requested, to the Bureau of Securities Regulation, Department of State, 25 Capitol Street, Concord, New Hampshire 03301. Respondent has the right to be represented by counsel.

Upon request for a hearing, in the manner and form indicated above, a hearing shall be held not later than fifteen days after such request is received by the Bureau.

STATEMENT OF ALLEGATIONS

The allegations contained in the Staff Petition for Relief dated August 26, 2019 (a copy of which is attached hereto) are incorporated by reference hereto.

ORDER

WHEREAS, finding it necessary and appropriate and in the public interest, and for the protection of investors and consistent with the intent and purposes of the New Hampshire securities laws, and

WHEREAS, finding that the public interest would be irreparably harmed by delay in issuing an order of suspension, and

WHEREAS, finding that the allegations contained in the Staff Petition, if proved true and correct, form the legal basis of the relief requested,

IT IS HEREBY ORDERED, THAT:

Respondent is summarily ordered to immediately cease and desist from further violations of N.H. RSA 421-B

Respondent's investment adviser agent and broker-dealer representative license is summarily suspended.

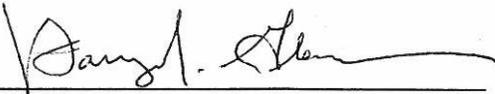
Respondent shall pay restitution to Investor #1 in the amount of \$201,000.00 plus interest at the legal rate.

Respondent shall pay a fine totaling \$20,000.00 for four violations of RSA 421-G4-412(f) and four violations of RSA 421-B:5-501.

Respondent shall pay the Bureau's cost of investigation and enforcement, the amount of which to be determined by the Hearing Officer.

SIGNED,
WILLIAM M. GARDNER
SECRETARY OF STATE
BY HIS DESIGNEE:

Date: 8-26-19



BARRY J. GLENNON, Director
N.H. Bureau of Securities Regulation

STATE OF NEW HAMPSHIRE
DEPARTMENT OF STATE
BUREAU OF SECURITIES REGULATION
25 CAPITOL STREET
CONCORD, NH 03301

STAFF PETITION FOR RELIEF
IN THE MATTER OF:

Dain F. Stokes (CRD# 2960801)

I-2019000029

- I. The State of New Hampshire, Department of State, Bureau of Securities Regulation (hereinafter referred to as “the Bureau”), hereby petitions the Director, and makes the following statement of facts:

STATEMENT OF FACTS

1. Dain F. Stokes (“Stokes”) has been licensed in New Hampshire as an investment adviser and broker-dealer agent for LPL Financial, LLC (“LPL”) since June 8, 2009. Stokes’ principal office is located at 3 Executive Park Drive, Unit #145, Bedford, NH 03110. Stokes also maintains an office at his home in Fremont, NH.
2. Investor #1 is from Fremont, NH. He has been a client of Stokes for approximately fifteen years and a client of LPL since 2009. According to Investor #1, he terminated his business relationship with Stokes and LPL approximately three weeks ago due to some of the allegations contained herein.
3. On August 1, 2019, Investor #1 reported to the Fremont Police Department that he had possibly been defrauded by Stokes related to an investment of two hundred one thousand dollars (\$201,000.00) in a project in Africa purportedly involving popstar Taylor Swift. Investor #1 provided copies of cancelled checks, unsecured promissory notes, and text

messages to the Fremont Police Department that corroborated his complaint.

4. According to a police report obtained from the Fremont Police Department dated August 22, 2019, a lieutenant interviewed Investor #1 and Stokes separately. According to this police report, Stokes approached Investor #1 for an investment in an “outside project” for Taylor Swift where Stokes was in charge of the “financial end of the project.” On August 8, 2018, Investor #1 wrote a check made payable to Stokes personally for one hundred thirty thousand dollars (\$130,000.00) and Stokes executed an unsecured promissory note on the same day promising a 20% return by November 8, 2018. The unsecured promissory note indicates the money is for a personal loan. According to the police report, Investor #1 said that, “despite the way it was written up on the paperwork,” it was an investment. The funds were not paid back by November 8, 2018 as promised and still remain outstanding as of the date of this Petition.
5. According to Investor #1, he invested another sixty thousand dollars (\$60,000.00) on October 18, 2018 after Stokes approached him for more money for the project in Africa. On October 18, 2018, Investor #1 wrote a check made payable to Stokes personally for sixty thousand dollars (\$60,000.00) and Stokes executed an unsecured promissory note on the same day promising a 20% return in 90 days. The funds were not paid back within 90 days as promised and still remain outstanding as of the date of this Petition.
6. On December 10, 2018, Investor #1 wrote a check made payable to Stokes personally for ten thousand dollars (\$10,000.00) and wrote another check to Stokes personally for one thousand dollars (\$1,000.00) on January 25, 2019. According to Investor #1, Stokes stated that these funds were for additional investment in the project in Africa and in part needed for Stokes to fly to Africa to work on the project. These funds were never returned.
7. On or about January 25, 2019, Stokes executed, what appears to be, an amended note that aggregates the previously-mentioned outstanding amounts owed to Investor #1. The January 25 amendment states Stokes, upon completion of the project in Africa, promises to pay Investor #1 the outstanding principal amount of two hundred one thousand dollars (\$201,000) and 20% simple interest in the amount of forty thousand two hundred dollars \$40,200, for a

combined amount of two hundred forty-one thousand two hundred dollars (\$241,200).

8. According to Investor #1, Stokes indicated that the investment was part of millions of dollars being raised for Taylor Swift's project in Africa to help needy people. Additionally, Investor #1 maintains that he was told by Stokes that the investment was being done away from LPL and that he would be terminated by LPL if they found out.
9. According to the text messages obtained by the Fremont Police Department, Stokes sent many text messages to Investor #1 in furtherance of Investor #1's purported investment in Africa, including the following:
 - a. On November 29, 2018, Stokes wrote: "We are getting close, a week, maybe two, I just had a long talk with Taylor about it in the middle of the night lol."
 - b. On December 10, 2018, the same day that Investor #1 wrote a check to Stokes for ten thousand dollars (\$10,000.00), Stokes wrote to Investor #1: "We need \$30k this week to finish the project in Africa so we all get paid big, I can come up with \$20k, but I'm \$10k short, so you have it? If not, no worries, but Taylor asked me to personally ask you, lol, she likes you! Let me know."
 - c. On January 25, 2019, the same day that Investor #1 wrote a check to Stokes for one thousand dollars (\$1,000.00), Stokes wrote to Investor #1: "Just checking in with you. Do you have any extra cash to send Taylor in Africa now? We are very close to wrapping up the project, but we need a little more money to complete the project. If you do please let me know today, And I will draw up a new promissory note to account for all the money you have put into the investment so far ... I will do that anyway even if you don't give any more money today. Even \$2-5k would help now. Thanks Dain."
 - d. On March 26, 2019, Stokes wrote: Taylor's investment will not be paying this Friday, things are wrapping up quickly now and it will be paying very soon."
 - e. On May 8, 2019, Stokes wrote: "Taylor is meeting with Bill Gates and the rest of the

sponsors who are paying out the commissions on May 20th To try in wrap things up, so we all get paid.”

f. On June 12, 2019, Stokes wrote: “Trump’s illegally locked my bank accounts, and I’m fighting it in the Federal Bank Commission in the New Hampshire AG’s Office. Taylor is releasing a new song on Instagram in 30 minutes and I’m promoting it.”

10. According to the police report date August 22, 2019, when pressed for more information by a lieutenant from the Fremont Police about the project in Africa involving Taylor Swift, Stokes maintained that it is confidential. According to the police report, Stokes claimed the project in Africa was scrutinized by LPL and the Financial Industry Regulatory Authority (“FINRA”). When pressed by the lieutenant about where the money goes and what the name of the project in Africa was, Stokes claimed that it was confidential. When asked if he deposited Investor #1’s money into a personal account, Stokes replied that he had no comment.

11. Upon information and belief, there is no project in Africa involving Taylor Swift and using investors solicited by Stokes. Upon information and belief, Stokes did not utilize the monies invested by Investor #1 as intended.

STATEMENTS OF LAW

II. The Bureau hereby petitions the Director and makes the following statements of law under the New Hampshire Revised Statutes Annotated, N.H. RSA 421-B:

1. Stokes is a “person” within the meaning of N.H. RSA 421-B:1-102(39), a broker-dealer agent pursuant to N.H. RSA 421-B:1-102(3), and an investment adviser representative within the meaning of N.H. RSA 421-B:1-102(27).
2. The unsecured promissory notes described herein are securities as defined by N.H. RSA 421-B:1-102(53)(A) and investment contracts under N.H. RSA 421-B:1-102(29)(A).

3. Pursuant to N.H. RSA 421-B:4-406(k), persons registered under this article to conduct securities business shall comply with the applicable rules of the Securities and Exchange Commission, FINRA, any national exchange on which they have securities registered and other applicable self-regulatory organization having jurisdiction over the person so registered. Stokes is in violation of this provision for violating FINRA Rule 3240 by borrowing at least two hundred one thousand dollars (\$201,000) from Investor #1.

4. Pursuant to N.H. RSA 421-B: 4-412(f), the secretary of state may suspend or deny an application summarily; restrict, condition, limit, or suspend a registration; or censure, bar, or impose a civil penalty on a registrant before final determination of an administrative proceeding. Upon the issuance of an order, the secretary of state shall promptly notify each person subject to the order that the order has been issued, the reasons for the action, and that within 15 days after the receipt of a request in a record from the person the matter will be scheduled for a hearing. If a hearing is not requested and none is ordered by the secretary of state within 30 days after the date of service of the order, the order becomes final by operation of law. If a hearing is requested or ordered, the secretary of state, after notice of and opportunity for hearing to each person subject to the order, may modify or vacate the order or extend the order until final determination. Stokes is subject to this provision and his securities licenses in New Hampshire should be summarily suspended due to violations of N.H. RSA 421-B:5-501 described herein.

5. Pursuant to N.H. RSA 421-B:5-501, it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly, to employ any device, scheme, or artifice to defraud or to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading. Stokes is in violation of this provision for defrauding Investor #1 of two hundred one thousand dollars (\$201,000.00) by falsely claiming that Investor #1's investment was being used for a project in Africa involving Taylor Swift.

6. Pursuant to N.H. RSA 421-B:6-604(a), whenever it appears to the secretary of state that any person has engaged or is about to engage in any act or practice constituting a violation of this chapter or order issued under this chapter, he shall have the power to issue and cause to be served upon such person an order requiring the person to cease and desist from violations of this chapter. Stokes is subject to this provision and should be ordered to cease and desist from further violations of N.H. RSA 421-B due to the violations described herein.
7. Pursuant to N.H. RSA 421-B:6-604(d), in a final order, the secretary of state may impose a civil penalty up to a maximum of \$2,500 for a single violation. In addition, every such person who is subject to such civil penalty, upon hearing, and in addition to any other penalty provided for by law, be subject to such suspension, revocation, or denial of any registration or license, or be barred from registration or licensure, including the forfeiture of any application fee. Stokes is subject to this provision and should be fined twenty thousand dollars (\$20,000.000) for the four violations of N.H. RSA 421-B:4-406(k), and four violations of N.H. RSA 421-B:5-501. Additionally, Stokes should be barred permanently from future licensure for the conduct described herein.
8. Pursuant to N.H. RSA 421-B:6-604(e), after notice and hearing, the secretary of state may enter an order of rescission, restitution, or disgorgement directed to a person who has violated certain provisions of N.H. RSA 421-B. Stokes is subject to this provision and should be ordered to pay restitution of two hundred one thousand dollars (\$201,000) plus interest to Investor #1 based on the violations of N.H. RSA 421-B:5-501 outlined herein.
9. Pursuant to N.H. RSA 421-B:6-604(g), in any investigation to determine whether any person has violated or is about to violate this title or any rule or order under this title, upon the secretary of state's prevailing at hearing, or the person charged with the violation being found in default, or pursuant to a consent order issued by the secretary of state, the secretary of state shall be entitled to recover the costs of the investigation, and any related proceedings, including reasonable attorney's fees, in addition to any other penalty provided for under this chapter. Stokes is subject to this provision and should be ordered to pay costs, as determined by the Hearing Officer.

RELIEF REQUESTED

III. The Bureau makes the following requests for relief in the above-referenced matter as permitted under N.H. RSA 421-B:

1. Find as fact the statements contained in Section I, the Statement of Facts.
2. Make conclusions of law relative to the statements contained in Section II, the Statements of Law.
3. Pursuant to N.H. RSA 421-B:6-604(a), order Stokes to immediately cease and desist from further violations of N.H. RSA 421-B.
4. Pursuant to N.H. RSA 421-B: 4-412(f), immediately summarily suspend Stokes' license as an investment adviser agent and broker-dealer representative in New Hampshire.
5. Pursuant to N.H. RSA 421-B:6-604(d), bar Stokes permanently from any securities licensure in New Hampshire.
6. Pursuant to N.H. RSA 421-B:6-604(d), fine Stokes twenty thousand dollars (\$20,000.00) for the four violations of N.H. RSA 421-B: 4-412(f) and four violations of N.H. RSA 421-B:5-501.
7. Pursuant to N.H. RSA 421-B:6-604(e), order Stokes to pay restitution to Investor #1 in the amount of two hundred one thousand dollars (\$201,000.00), plus interest at the legal rate.
8. Pursuant to N.H. RSA 6-604(g), order Stokes to pay the Bureau's costs of investigation and enforcement, the amount of which shall be determined by the Hearing Officer.

RIGHT TO AMEND

The Bureau staff reserves the right to amend this Staff Petition for Relief and request the Director of the Bureau take additional administrative action. Nothing herein shall preclude the Staff from bringing additional enforcement action under this N.H. RSA 421-B or the regulations thereunder.

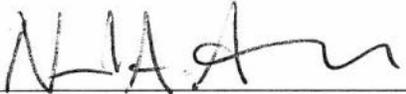
Respectfully submitted by:



Eric A. Forcier, Staff Attorney

8/26/19

Date



Noah A. Abrahams, Staff Attorney

8/26/19

Date