

**COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE SECRETARY OF THE COMMONWEALTH
SECURITIES DIVISION
ONE ASHBURTON PLACE, ROOM 1701
BOSTON, MASSACHUSETTS 02108**

IN THE MATTER OF:)

REVERE SECURITIES LLC, AND)
JONATHAN ERIC ALTMAN,)

RESPONDENTS.)
_____)

) Docket No. E-2015-0178

SECRETARY OF
THE COMMONWEALTH
2015 OCT 20 AM 9:56
SECURITIES DIVISION

ADMINISTRATIVE COMPLAINT

I. PRELIMINARY STATEMENT

The Enforcement Section of the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth (the "Enforcement Section" and the "Division," respectively) files this Administrative Complaint (the "Complaint") to commence an adjudicatory proceeding against Revere Securities LLC ("Revere") and Jonathan Eric Altman ("Altman") (collectively, "Respondents"), for violations of MASS. GEN. LAWS ch. 110A, the Massachusetts Uniform Securities Act (the "Act"), and 950 MASS. CODE REGS. 10.00-14.413 (the "Regulations"). The Enforcement Section alleges that Respondents engaged in dishonest and unethical conduct in violation of the Act and Regulations, and Respondent Revere failed to supervise its agents in violation of the Act.

The Enforcement Section seeks an order: 1) finding as fact the allegations set forth below; 2) requiring Respondents to permanently cease and desist from further conduct in violation of the Act and Regulations in the Commonwealth; 3) censuring Respondents; 4) requiring Respondents to provide an accounting for those losses attributable to the alleged wrongdoing; 5) requiring

Respondents to provide restitution and rescission to fairly compensate Investor One for those losses attributable to the alleged wrongdoing; 6) requiring Respondents to disgorge all profits and other direct or indirect remuneration received from the alleged wrongdoing; 7) permanently barring Respondent Altman from associating with or registering in the Commonwealth as a broker-dealer, broker-dealer agent, or as a partner, officer, director, or control person of a broker-dealer; 8) permanently barring Respondent Altman from associating with or registering in the Commonwealth as a state-registered investment adviser, Securities and Exchange Commission registered investment adviser, and investment adviser excluded from the definition of investment adviser; 9) permanently barring Respondent Altman from associating with or registering in the Commonwealth with any issuer of securities in the Commonwealth; 10) requiring Respondent Revere to engage an independent compliance consultant to: a) review and establish written policies and procedures including, but not limited to, suitability, churning, and unauthorized trading; b) ensure that such written policies and procedures include methods for enforcement and compliance oversight; and c) review of all of Respondent Altman's clients' accounts while he was a broker-dealer agent of Revere to determine whether any securities violations occurred and rectify such violations, by remedies, including, but not limited to, investor restitution and rescission; 11) imposing an administrative fine on Respondents in an amount and upon such terms and conditions as the Director or Presiding Officer may determine; 12) finding that all sanctions and remedies detailed herein are in the public interest and necessary for the protection of Massachusetts investors; and 13) taking any such further actions which may be necessary or appropriate in the public interest for the protection of Massachusetts investors.

II. SUMMARY

A broker-dealer has an obligation to protect investors from abuses by its registered brokers. However, Respondent Revere Securities LLC (“Revere”) failed to protect at least one of its investors from harm. This enforcement action arises out of Respondent Jonathan Eric Altman’s (“Altman”) dishonest and unethical conduct and Respondent Revere’s failure to reasonably supervise Altman. Revere’s lack of meaningful supervision allowed Altman to engage in excessive trading, unauthorized trading, and making unsuitable recommendations, resulting in substantial losses to Investor One,¹ likely totaling at least \$290,000.

In 2015, Secretary of the Commonwealth of Massachusetts, William F. Galvin, ran a public service announcement directing Massachusetts residents to report financial harm to the Massachusetts Securities Division. In response to the public service announcement, Investor One, a Massachusetts resident, contacted the Division regarding the financial harm she incurred by investing with Altman, a broker-dealer agent at Revere. In May of 2012, Investor One was sixty-two years old and became in charge of her finances, after her husband passed away suddenly. Altman assisted Investor One in setting up a commission-based brokerage account at Revere (“Beneficiary IRA”), and Investor One transferred her husband’s Individual Retirement Accounts (“IRAs”) at Revere that she inherited into her Beneficiary IRA.

At this time, Investor One had been a homemaker for at least twenty years and had no previous investment experience. The application for Investor One’s Beneficiary IRA listed her as having a “medium” risk tolerance, and investment objectives of “income,” “growth,” and “speculation.” However, Investor One did not personally check off “speculation” as an investment objective. Rather, she trusted Altman and signed any paperwork that Altman asked

¹ Investor One’s name and confidential financial information have been withheld to preserve the privacy of the individual.

her to sign. From May 2012 through March of 2015, Altman engaged in dishonest and unethical conduct involving excessive trading, unauthorized transactions, unsuitable recommendations, and violating Revere's written policies and procedures.

Altman excessively traded Investor One's Beneficiary IRA despite Investor One's medium risk tolerance, investment objectives, financial situation, limited investment experience and needs. Throughout the duration of the brokerage relationship, Altman exercised control over Investor One's Beneficiary IRA. From July 1, 2013 to June 30, 2014, based on the average portfolio value of all liquid securities in Investor One's Beneficiary IRA, the annualized turnover rate² was approximately 7.33, and the annualized cost-to-equity ratio was 20%. This means that Investor One's Beneficiary IRA would have had to earn at least 20% annually in order to cover transaction costs and break even. During the time period of July 1, 2013 to June 30, 2014, for purchases and sales in Investor One's Beneficiary IRA, Altman and Revere split \$77,060.70 in commissions, which were directly charged to Investor One. Additionally, Altman and Revere split \$18,190 in selling concessions from syndicate deals purchased in Investor One's Beneficiary IRA.

Throughout the brokerage relationship, Altman also effected unauthorized transactions in Investor One's Beneficiary IRA. Altman testified that he received permission from Investor One to buy and sell specific investments. However, e-mails between Altman and Investor One suggest Altman regularly failed to obtain prior approval for trades from Investor One.

Despite the fact that Altman knew or should have known of Investor One's medium risk tolerance, investment objectives, financial situation, limited investment experience and needs, Altman purchased and recommended that Investor One hold unsuitable investments, including,

² The annualized turnover rate is the number of times that the securities in Investor One's Beneficiary IRA were replaced with new securities.

but not limited to, Bank of America Class B Warrants, non-traded real estate investment trusts (“REITs”), dry shipping carrier stocks, and syndicate deals. Altman made recommendations and bought and sold securities without explaining the securities or discussing the risks of investing with Investor One. By June 30, 2014, Altman had overconcentrated Investor One’s Beneficiary IRA in six unsuitable high-risk securities across only three industries.

Altman also engaged in dishonest and unethical conduct by violating Revere’s written policies and procedures, which prohibited Altman from communicating with Investor One about her investments via his personal e-mail account. Many of the e-mails between Altman and Investor One show that throughout the brokerage relationship, Investor One e-mailed Altman in a panic because she was not comfortable with the volatility occurring in her Beneficiary IRA. Unfortunately, this did not prevent Altman from mismanaging Investor One’s Beneficiary IRA.

As a result of Altman’s dishonest and unethical conduct, involving excessive trading, unauthorized transactions, unsuitable recommendations, and violating Revere’s written policies and procedures, Investor One incurred substantial losses of at least \$200,000, before deciding to transfer her Beneficiary IRA to another firm. To date, the value of the investments in Investor One’s Beneficiary IRA has declined approximately \$290,000. On the other hand, Altman and Revere profited. During the time period of August 13, 2012 to March 13, 2015, Altman and Revere split approximately \$141,304 in commissions and selling concessions from the purchase and/or sale of securities in Investor One’s Beneficiary IRA.

From May 2012 through March 2015, Revere failed to establish and maintain a supervisory system reasonably designed to prevent violations of securities laws. Revere’s written supervisory procedures failed to provide guidance on how to prevent, detect, and correct violations of securities laws involving excessive trading, unauthorized transactions, and

unsuitable investment recommendations. In fact, a 2015 letter from the Financial Industry Regulatory Authority (“FINRA”) to Revere, regarding a recent audit, also provided that “Revere failed to establish an adequate supervisory system to review for excessive trading, churning, [and] concentrated accounts.” As a result of Revere’s failure to establish and maintain a supervisory system, Revere failed to take reasonable steps to investigate the securities violations occurring in Investor One’s Beneficiary IRA, and Investor One was harmed.

Revere has a history of hiring broker-dealer agents with a record of prior disclosures, including customer complaints. Altman has a history of customer complaints related to excessive trading, unauthorized transactions, and unsuitable transactions. During an eleven year period, Altman received eight customer complaints, three of which resulted in Altman paying individual contribution amounts. Despite these complaints, Altman continued to work in the brokerage industry and changed firms every few years or so until arriving at Revere. Additionally, in response to a recent Division survey regarding Revere’s hiring practices, Revere indicated that it continues to hire broker-dealer agents with prior disclosures.

As a result of Altman’s securities law violations, the Enforcement Section seeks relief including, but not limited to: permanently barring Respondent Altman from acting in the securities industry; disgorgement of commissions and selling concessions; and investor restitution and rescission. Additionally, as a result of Revere’s failure to reasonably supervise Altman the Enforcement Section seeks relief including, but not limited to: investor rescission and restitution; disgorgement of commissions and selling concessions; and requiring Respondent Revere to engage an independent compliance consultant to review and establish written policies and procedures including, but not limited to, suitability, churning, and unauthorized trading, as well as a review of all of Altman’s clients’ accounts while at Revere.

III. JURISDICTION AND AUTHORITY

1. As provided for by the Act, the Division has jurisdiction over matters relating to securities pursuant to chapter 110A of Massachusetts General Laws.
2. The Enforcement Section brings this action pursuant to the authority conferred upon the Division by Section 204, 407A, and 414 of the Act and Regulations, wherein the Division has the authority to conduct an adjudicatory proceeding to enforce the provisions of the Act and the Regulations.
3. The Enforcement Section reserves the right to amend this Complaint and/or bring additional administrative complaints to reflect information developed during the current and ongoing investigation.

IV. RELEVANT TIME PERIOD

4. Except as otherwise expressly stated, the conduct described herein occurred during the approximate time period of May 1, 2012 to March 31, 2015 (“Relevant Time Period”).

V. RESPONDENTS

5. Revere Securities, LLC (“Revere”) is a broker-dealer with headquarters in New York. Revere has a Financial Industry Regulatory Authority (“FINRA”) Central Registration Depository (“CRD”) number of 14178. Revere has been registered with Massachusetts since May 10, 1999.
6. Jonathan E. Altman (“Altman”) is a resident of the Commonwealth of Massachusetts. Altman has a FINRA CRD number of 2248764. Altman was registered as a Revere broker-dealer agent in Massachusetts from August 20, 2010 to September 26, 2016.

VI. STATEMENT OF FACTS

- A. Investor One Was a Widow with a Medium Risk Tolerance and Limited Investment Experience, when She Began Working with Altman at Revere.**
7. Investor One, age sixty-two, became in charge of her finances after her husband passed away suddenly in March of 2012.
 8. Investor One had no previous investment experience.
 9. Investor One inherited her husband's Individual Retirement Accounts ("IRAs") at Revere, for which Altman was the broker.
 10. In May of 2012, Investor One set up a commission-based brokerage account at Revere ("Beneficiary IRA") with Altman as her broker.
 11. Investor One signed her Beneficiary IRA application, but did not complete the information on the form.
 12. The Beneficiary IRA application listed Investor One's liquid and total net worth as between \$500,000 to \$1,000,000, and provided that Investor One had "limited" investment experience, a "medium" risk tolerance, and investment objectives of "income," "growth" and "speculation."
 13. However, Investor One wanted some growth but did not want to take on a lot of risk.
 14. Investor One's Beneficiary IRA application did not address her investment time horizon.
 15. However, Altman testified that he understood that Investor One would want some of the money from her Beneficiary IRA in the future, and understood the time horizon on her Beneficiary IRA to be five to ten years.

B. Altman Engaged in Dishonest and Unethical Conduct by Engaging in Excessive Trading, Unauthorized Trading, Making Unsuitable Recommendations, and Violating Revere's Written Policies and Procedures Regarding Personal E-mail Use.

1. Altman Engaged in Excessive Trading³ in Investor One's Beneficiary IRA.
16. Investor One had a close personal relationship with Altman and spoke with Altman frequently.
17. It was Investor One's understanding that Altman was not required to obtain permission prior to entering trades.
18. However, Altman did not have discretionary trading authority over Investor One's Beneficiary IRA.
19. From August 13, 2012 through June 30, 2014, Altman entered 596 orders in Investor One's Beneficiary IRA. Almost all 596 orders were marked solicited.
20. Specifically, from July 1, 2013 to June 30, 2014, Altman solicited 443 trades.
21. The annualized turnover rate⁴ in Investor One's Beneficiary IRA was approximately 7.33,⁵ based on the average portfolio value of all liquid securities in her Beneficiary IRA during the time period from July 1, 2013 to June 30, 2014.
22. The annualized cost-to-equity ratio⁶ in Investor One's Beneficiary IRA was approximately 20%, based on the average portfolio value of all liquid securities in her Beneficiary IRA during the time period from July 1, 2013 to June 30, 2014.

³ Excessive trading, also known as churning, occurs when a securities broker buys and sells securities for a customer's account, without regard to the customer's investment interests, for the purpose of generating commissions.

⁴ The annual turnover rate is the number of times per year a customer's securities are replaced by new securities. It is derived by dividing the gross amount of securities purchased in a customer's account during a given period by the average value of the equity in the account during that same period, and annualizing that number.

⁵ In this case, the average portfolio value of all liquid securities in Investor One's Beneficiary IRA was \$385,152.51.

⁶ The cost-to-equity ratio is the rate of return that her account would have had to earn on an annual basis in order to cover transaction costs and break even.

23. During the course of Altman's brokerage relationship with Investor One, Altman earned 50% of the gross selling concessions and commissions that he generated from purchases and/or sales of securities in Investor One's Beneficiary IRA, and Revere earned the other 50%.
24. Altman and Revere split \$77,060.70 in selling concessions and commissions that Altman generated from purchases and sales of securities in Investor One's Beneficiary IRA, during the time period from July 1, 2013 to June 30, 2014.
25. Additionally, Investor One paid fees of at least \$1,612.72, during the time period from July 1, 2013 to June 30, 2014.
26. During the time period from July 1, 2013 to June 30, 2014, Investor One's total direct trading costs were at least \$78,973.42.
27. During the time period from July 1, 2013 to June 30, 2014, Altman also received additional compensation, beyond the commissions he charged Investor One from the purchase and sale of securities in her Beneficiary IRA. In addition, Altman generated selling concessions of \$18,190 from syndicate deals purchased in Investor One's Beneficiary IRA, which Altman and Revere also split.
28. Altman's trading activity in Investor One's Beneficiary IRA was excessive in view of Investor One's medium risk tolerance, investment objectives, and financial resources.
 2. Altman Effected Unauthorized Transactions in Investor One's Beneficiary IRA.
29. Altman did not have discretionary authority over Investor One's Beneficiary IRA.
30. During the Relevant Time Period, Altman failed to discuss, with Investor One, the quantity of shares that he planned to buy and/or sell in Investor One's Beneficiary IRA.

31. For example, Altman bought and sold the same securities within one week of the purchase date without obtaining prior authorization from Investor One for either the purchase or sale.
32. Although Altman testified that he received permission from Investor One to buy and sell specific investments, e-mails from Investor One to Altman suggest otherwise.
33. For example, in an e-mail dated February 19, 2015, Investor One wrote to Altman: "I haven't been able to see what transactions you've made recently. What have they been?"
34. Although Altman and Investor One spoke frequently, Altman regularly failed to obtain prior approval for trades from Investor One.
3. Altman Made Unsuitable Investment Recommendations in Investor One's Beneficiary IRA.
 - a. *Altman Recommended Investor One Purchase and Hold Unsuitable Bank of America Class B Warrants.*
35. In July 2012, approximately \$345,000 worth of securities was transferred into Investor One's Beneficiary IRA, and approximately 80% of the securities transferred were Bank of America Class B Warrants, with ticker symbol BAC WS B ("Bank of America Warrants").⁷
36. The relevant Bank of America Warrants prospectus provides that the "warrants involve a high degree of risk, are not appropriate for every investor and may expire worthless."
37. However, Altman did not inform Investor One that the Bank of America Warrants were a high risk investment or explain that the Bank of America Warrants may become worthless.

⁷ The other 20% of securities were CitiBank warrants, which Altman sold.

38. Additionally, Altman testified to the Enforcement Section that after Investor One inherited the Bank of America Warrants, he recommended Investor One hold the Bank of America Warrants.
39. By November 2, 2012, an additional \$150,000 in cash from inherited IRAs had been transferred into Investor One's Beneficiary IRA, increasing her Beneficiary IRA value by approximately 30%.
40. Instead of purchasing additional securities consistent with Investor One's investment objectives and medium risk tolerance, Altman purchased an additional 120,000 shares of Bank of America Warrants in Investor One's Beneficiary IRA.
41. By December 31, 2012, Investor One owned 500,000 shares of Bank of America Warrants, which made up approximately 73% of her total account value.
42. During the Relevant Time period, Altman and Revere split thousands of dollars' worth of commissions related to Altman's purchase and sale of Bank of America Warrants in Investor One's Beneficiary IRA.
43. However, by March 31, 2015, the value of Investor One's Beneficiary IRA dropped by over \$200,000, due in part to the declining share price of the Bank of America Warrants.
44. To date, Investor One is still holding some of the Bank of America Warrants, which are trading around \$0.12 per share and will likely become worthless.
45. Bank of America stock is currently trading around \$16.00 per share, and in order for Investor One's Bank of America Warrants to not become worthless, the share price of Bank of America stock must reach \$30.79, by October 28, 2018.

46. The overconcentration of Bank of America Warrants in Investor One's Beneficiary IRA was unsuitable in light of Investor One's investment objectives, medium risk tolerance, financial situation, and needs.
- b. *Altman Recommended Investor One Purchase Unsuitable Non-traded Real Estate Investment Trusts ("REITs").*
47. During the brokerage relationship, when Investor One noticed decreases in the value of her Beneficiary IRA, she expressed concerns to Altman.
48. For example, Investor One's November 30, 2012 account statement reflected an unrealized loss of approximately \$40,000 or 7.5% for one month, so in December of 2012, Investor One emailed Altman with the subject line, "Yikes!!" In the body of the e-mail, Investor One wrote: "So how panicked should I be?!!!!!!!!!"
49. Investor One was not comfortable with volatile high risk investments in her Beneficiary IRA.
50. However, Altman proceeded to make unsuitable investments on behalf of Investor One.
51. In May of 2013, Altman recommended that Investor One purchase three American Realty Capital ("ARC") non-traded real estate investment trusts ARC Global Trust, Inc., ARC Retail Centers of America, Inc., and ARC New York Recovery REIT, Inc. ("Non-traded REITs") each for a principal amount of \$50,000, for a total of \$150,000.
52. Investor One signed the Non-traded REIT forms that Altman told her to sign, but did not complete the information on the forms.
53. Altman did not explain the Non-traded REITs to Investor One.
54. For example, Altman failed to discuss the illiquid nature of the Non-traded REITs with Investor One.

55. Instead, Altman told Investor One that the Non-traded REITs were a safe investment that paid a good dividend.
56. Altman testified that he recommended the Non-traded REITs because Investor One wanted “current income, [and] safety of principal.”
57. Further, when the Enforcement Section asked Altman about the risks associated with the Non-traded REITs, he testified that there were “just basic market risks.”
58. However, the prospectuses for all three Non-traded REITs disclosed that “investing in our common stock involves a high degree of risk.”
59. Altman’s recommendation that Investor One purchase Non-traded REITs was unsuitable for Investor One based on her investment objectives, financial situation, and needs.
60. To date, Investor One has been unable to sell ARC Retail Centers of America, Inc., which she purchased for \$50,000, as it remains illiquid.
61. However, Altman and Revere split \$10,500 in commissions that Altman generated by selling the Non-traded REITs to Investor One.

c. Altman Recommended Investor One Purchase Unsuitable Dry Shipping Carrier Stocks.

62. From December 2013 to June 2014, Altman concentrated Investor One’s Beneficiary IRA in two dry shipping carriers based out of Greece: DryShips, Inc. and FreeSeas, Inc.
63. The August 30, 2013 DryShips Inc. prospectus disclosed that: “[o]ur inability to comply with certain financial and other covenants under our loan agreements . . . raise[s] substantial doubt about our ability to continue as a going concern.”
64. Additionally, the October 4, 2013 DryShips Inc. prospectus supplement stated that, “investing in our common stock involves a high degree of risk.”

65. However, by March 31, 2014, Altman had overconcentrated Investor One's Beneficiary IRA such that shares of DryShips Inc. comprised approximately 30-35% of Investor One's total Beneficiary IRA value.
66. Additionally, despite disclosures regarding the risk of investing in shares of FreeSeas, Inc., Altman purchased shares of FreeSeas, Inc. in Investor One's Beneficiary IRA.
67. The December 30, 2013 FreeSeas, Inc. prospectus stated that: "[i]nvesting in our common stock involves a high degree of risk."
68. An April 9, 2014 preliminary prospectus for FreeSeas, Inc. disclosed that as of a March 24, 2014 report, "our independent registered public accounting firm expressed substantial doubt about our ability to continue as a going concern."
69. From April 15, 2014 to June 25, 2014, the share price of FreeSeas, Inc. dropped by over 30%.
70. On May 15, 2014, Investor One demonstrated that she did not have a high risk tolerance when she e-mailed Altman and wrote: "the market is really bad and it makes me nervous."
71. However, as the share price of FreeSeas, Inc. continued to drop from June 2, 2014 to June 25, 2014, Altman purchased an additional 95,000 shares of FreeSeas, Inc. in Investor One's Beneficiary IRA.
72. By June 25, 2014, shares of FreeSeas, Inc. represented approximately 30% of Investor One's Beneficiary IRA.
73. During an approximate two year period, Altman overconcentrated Investor One's Beneficiary IRA in six unsuitable high-risk securities across three industries.

74. During the Relevant Time Period, Investor One incurred realized losses of approximately \$212,000 as a result of Altman purchasing and selling shares of DryShips, Inc. and FreeSeas, Inc.
75. However, Altman and Revere split approximately \$22,000 in commissions as a result of Altman's purchases and sales of shares of DryShips, Inc. and FreeSeas, Inc. in Investor One's Beneficiary IRA.
- d. Altman Recommended Investor One Purchase Unsuitable Syndicate Deals.*
76. In an e-mail from Investor One to Altman's personal account dated August 16, 2014, Investor One asked Altman to keep the dividends she was earning in cash.
77. However, Altman ignored Investor One's request and used the accumulated dividends to purchase Quinpario Acquisition Corp. 2 stock, ticker symbol QPACU ("Quinpario"), on January 16, 2015. Altman sold shares of Quinpario less than one month later, at a slight loss.
78. According to the Quinpario preliminary prospectus filed on January 8, 2015 and the prospectus filed on January 20, 2015: Quinpario was an "emerging growth company" and investing in the company involved a "high degree of risk." Additionally, Quinpario's January 8, 2015 preliminary prospectus disclosed that Quinpario's independent registered public accounting firm "expresses substantial doubt about our ability to continue as a 'going concern.'"
79. Additionally, the February 12, 2015 preliminary prospectus for Great Ajax Corp, with ticker symbol AJX ("Great Ajax"), stated that AJX is an "emerging growth company" and investing in the company involves a "high degree of risk."

80. However, the next day, Altman purchased shares of Great Ajax in Investor One's Beneficiary IRA, on the date of its initial public offering ("IPO"), and Altman sold Great Ajax ten days later at a loss.
81. Quinpario and Great Ajax are two examples of the forty syndicate deals Altman purchased in Investor One's Beneficiary IRA, during the time period between December 2012 and March 2015.
82. Many, if not most, of the syndicate deals Altman purchased in Investor One's Beneficiary IRA were high risk investments and unsuitable for Investor One.
83. Altman and Revere split approximately \$25,629 in selling concessions that Altman generated from Investor One's purchase of syndicate deals during the Relevant Time period.
84. However, Investor One incurred realized losses of approximately \$10,000 as a result of Altman purchasing syndicate deals in her Beneficiary IRA, during the Relevant Time period.
85. During the Relevant Time period, Altman and Revere split approximately \$141,304 commissions and selling concessions from all of the securities that Altman bought and/or sold in Investor One's Beneficiary IRA.
86. While Altman and Revere profited as a result of unsuitable purchases and/or sales in Investor One's Beneficiary IRA, by March 31, 2015, the value of Investor One's Beneficiary IRA had declined by over \$200,000, and Investor One transferred her Beneficiary IRA to another firm.

4. Altman Violated Revere's Written Supervisory and Compliance Procedures by Using His Personal E-mail for Communications with Investor One.

87. Altman testified that he received Revere's Written Supervisory and Compliance Procedures ("WSPs"), when he began working at Revere, and that he received updated versions of Revere's WSPs.

88. During the Relevant Time Period, Revere's applicable WSPs prohibited personal e-mail use.

89. Revere's 2014 WSPs provided that: "[t]he use of personal email accounts is prohibited. Any employee who engages in the above prohibited activity will face disciplinary action up to and including termination."

90. Altman communicated with Investor One about her investments by using his personal e-mail account.

91. During testimony, the Enforcement Section asked Altman: "[w]ould you agree with me that your communications regarding securities to . . . [Investor One] through your personal Gmail account would be in violation of . . . [Revere's] compliance procedures?", to which Altman responded, "[y]es."

C. Revere Failed to Reasonably Supervise Altman.

92. During the Relevant Time Period, Revere failed to establish and maintain a supervisory system reasonably designed to prevent excessive trading, unauthorized transactions, overconcentration of securities in a client's account, and unsuitable sales.

93. In fact, in a Financial Industry Regulatory Authority ("FINRA") 2015 letter to Revere regarding a recent audit, FINRA wrote that "Revere failed to establish an adequate supervisory system to review for excessive trading, churning, [and] concentrated accounts."

94. Revere's WSPs failed to provide: how a review for excessive trading should be conducted, and the steps that should be taken if a violation was detected.
95. Revere's WSPs failed to provide: who was responsible for reviewing client accounts for unauthorized transactions, how a review should be conducted, and the steps that should be taken if a violation was detected.
96. Revere's WSPs failed to provide: who was responsible for reviewing client accounts for overconcentration of securities in a client's account, how a review should be conducted, and the steps that should be taken if a violation was detected.
97. Even though Revere's WSPs failed to provide a supervisory system to review for excessive trading, churning, unauthorized trading, and overconcentrated accounts, Revere's WSPs required the CCO or a designated principal to review Revere's agents' trade blotters daily ("Daily Trade Blotter") for suitability.
98. However, Revere's WSPs failed to establish any steps that should be taken in the event that a supervisor detected unsuitable sales of exchange traded equities or non-traded REITs.
99. Revere could not have reasonably supervised Altman because it failed to establish, maintain, and enforce written supervisory procedures on how to prevent, detect, and correct Altman's securities violations involving excessive trading, unauthorized trading, overconcentration, and unsuitable transactions.
100. Revere was directly responsible for supervising Altman.
101. Specifically, the branch manager ("Branch Manager") was responsible for supervising Revere's Boston branch office and Altman.

102. Notwithstanding Revere's lack of WSPs related to particular topics, the Branch Manager testified that he was responsible for reviewing the Daily Trade Blotter for violations of excessive trading, unauthorized transactions, overconcentration of securities in a client's account, and suitability.
103. Additionally, the CCO testified to the Enforcement Section that he would review the monthly active account report ("Monthly Active Account Report"), which showed the commissions charged, annualized turnover ratios, the number of trades solicited, and cost-to-equity ratios.
104. The CCO also testified to the Enforcement Section that after reviewing the Monthly Active Account Report: "[i]f I saw a large number of transactions or a high commission, I would take action" and "contact the branch manager" to call and/or send the client a standard form activity letter ("Activity Letter").
105. The Activity Letter read:
- Thank you for maintaining your brokerage account with Revere Securities Corp. We are committed to providing excellent service and investment guidance tailored to your unique financial goals. We appreciate your business and look forward to strengthening our relationship with you.
- Personal attention is what our company believes in and delivers. Industry rules require us to periodically review our client's account activity. We have noticed a pattern of frequent trade activity so we wanted to inquire if there are any issues or concerns that you may have or would like to discuss with us. Alternatively, if everything is satisfactory you do not need to take any action with regard to this letter.
106. On June 11, 2013, the CCO e-mailed the Branch Manager and Assistant Office Manager to send Investor One an Activity Letter regarding her Beneficiary IRA. Revere mailed Investor One an Activity Letter regarding her Beneficiary IRA, dated June 11, 2013.
107. Altman did not discuss the June 2013 Activity Letter with Investor One.

108. Additionally, during testimony, Altman and the CCO were unable to explain why Investor One received this Activity Letter.
109. When the Enforcement Section asked if Altman knew why this letter was sent out, and Altman testified:
- A: No rhyme or reason. I would love to find out what it is.
- Q: Did Revere ever in your compliance trainings or educational trainings discuss that?
- A: Never.
- Q: So frequent trade activity was never defined or explained?
- A: No. . . there really is no rhyme or reason to the activity letters sometimes. . . . That I'm aware of.
110. The Branch Manager testified to the Enforcement Section:
- Q: What constitutes [an] active account where you would send out those activity letters?
- A: Again, if it turns the assets over, if there is a certain frequency of trades.
- Q: Do you know what those numbers [are] or the amount of turnovers that would be?
- A: No. There is [sic] parameters. . . . I'm not sure if it's in the procedures or where it is in there.
- Q: Well how would you know when to send out the letter?
- A: A lot of that, too, comes out of compliance for active accounts.
111. However, the CCO testified that there was no specific trigger or ratio that would result in him contacting the Branch Manager: "It's just upon my experience, I mean I guess is [the] easiest way to explain it to you. I would look at it and say, you know this seems pretty high. I'm going to contact the [B]ranch [M]anager."
112. The annualized commission-to-equity ratio listed on the Monthly Active Account Reports for Investor One's Beneficiary IRA that the CCO reviewed continually increased from June 2013 through December 2013.
113. On August 7, 2013, the Branch Manager called Investor One.

114. The Branch Manager handwrote notes about his August 7, 2013 call to Investor One to discuss the trading in her account, and noted that the call took place from 4:00 p.m. to 4:15 p.m.
115. Even though the Branch Manager contacted Investor One, there is no evidence that the Branch Manager attempted to meaningfully ascertain whether Investor One authorized the numerous trades in her Beneficiary IRA or understood whether the transactions Altman effected in her Beneficiary IRA were excessive or unsuitable.
116. Revere sent Investor One another Activity Letter dated December 31, 2013.
117. When the Enforcement Section asked whether the CCO did anything to verify whether the Branch Manager reviewed accounts for churning, the CCO testified:

[The Branch Manager]'s an experienced guy. He knows what churning is. I mean he can recognize churning without a problem. He's been in the business who knows how many years . . . I mean branch managers do know what churning is I would hope, and I am sure he knows what churning is.

118. However, when the Enforcement Section asked the Branch Manager if he reviewed for churning, he testified:

A: I don't know what you mean by that. I mean –

Q: Are you familiar with the word churning?

A: Yes.

Q: What does it mean to you?

A: When you churn the account, but – so you have accounts that are active; that doesn't mean they're churned.

Q: How would you define churning?

A: Again, that's – I'm not sure what you're asking like –

Q: Well, is there a certain amount of trades in an account or turnover of assets in an account that would constitute –

A: Yeah, I mean, if the account turns over, the equity in the account, you'll review it.

119. Additionally, from January 2014 through June 2014, the annualized commission-to-equity ratio continued to increase on the Monthly Active Account Reports that the CCO purportedly reviewed for Investor One's Beneficiary IRA.
120. However, after Revere sent Investor One the December 31, 2013 Activity Letter, Revere failed to produce any documentation evidencing any subsequent supervisory oversight of Investor One's Beneficiary IRA.
121. Additionally, Altman testified that during the Relevant Time Period no one at Revere talked to him about the trading in Investor One's Beneficiary IRA, and Revere failed to produce documents supporting that either the CCO or Branch Manager had any supervisory conversations with Altman regarding Investor One's Beneficiary IRA during the Relevant Time Period.
122. Revere failed to take reasonable steps to investigate and rectify the improper trading activity in Investor One's Beneficiary IRA.

VII. VIOLATIONS OF LAW

A. **Count I – Respondent Altman's Violations of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(G) and 950 MASS. CODE REGS. 12.204(1)(b).**

123. Section 204 of the Act provides, in pertinent part:
 - (a) The secretary may by order impose an administrative fine or censure or deny, suspend, or revoke any registration or take any other appropriate action if he finds (1) that the order is in the public interest and (2) that the applicant or registrant [...]:
 - G. has engaged in any unethical or dishonest conduct or practices in the securities, commodities or insurance business.
124. 950 Mass. Code Regs. 12.204(1)(a) provides in pertinent part:
 - (1) Dishonest and Unethical Practices in the Securities Business.
 - (a) Broker-dealers. Each broker-dealer shall observe high standards of commercial honor and just and equitable principles of trade in the conduct

of its business. Acts and practices, including, but not limited to the following, are considered contrary to such standards and constitute dishonest or unethical practices which are grounds for imposition of an administrative fine, censure, denial, suspension or revocation of a registration, or such other appropriate action:

...

3. Inducing trading in a customer's account which is excessive in size and frequency in view of the financial resources and character of the account.

4. Recommending to a customer the purchase, sale, or exchange of any security without reasonable grounds to believe that such transaction or recommendation is suitable for the customer based upon reasonable inquiry concerning the customer's investment objectives, financial situation and needs, and any other relevant information known by the broker-dealer.

5. Executing a transaction on behalf of a customer without authorization to do so.

...

(b) Agents. Each agent shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of his or her business. Acts and practices, including, but not limited to, the following, are considered contrary to such standards and constitute dishonest or unethical practices in the securities industry and are thereby grounds for imposition of an administrative fine, censure, denial, suspension or revocation of a registration or such other action as is appropriate:

...

8. Engaging in conduct specified in 950 Mass. Code Regs. 12.204(1)(a) . . .
3., 4., 5.,

125. The Enforcement Section realleges and incorporates the allegations of paragraphs 1 through 122 above.

126. The conduct of Respondent Altman, as described above, constitutes violations of Mass. Gen. Laws ch. 110A, § 204(a)(2)(G) and 950 MASS. CODE REGS. 12.204(1)(b).

B. Count II – Respondent Revere’s Violations of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(G).

127. Section 204 of the Act provides, in pertinent part:

(a) The secretary may by order impose an administrative fine or censure or deny, suspend, or revoke any registration or take any other appropriate action if he finds (1) that the order is in the public interest and (2) that the applicant or registrant [...]:

G. has engaged in any unethical or dishonest conduct or practices in the securities, commodities or insurance business.

128. The Enforcement Section realleges and incorporates the allegations of paragraphs 1 through 122 above.

129. The conduct of Respondent Revere, as described above, constitutes violations of Mass. Gen. Laws ch. 110A, § 204(a)(2)(G).

C. Count III – Respondent Revere’s Violations of MASS. GEN. LAWS ch. 110A, § 204(a)(J).

130. Section 204 of the Act provides, in pertinent part:

(a) The secretary may by order impose an administrative fine or censure or deny, suspend, or revoke any registration or take any other appropriate action if he finds (1) that the order is in the public interest and (2) that the applicant or registrant . . .

J. has failed reasonably to supervise agents, investment adviser representatives or other employees to assure compliance with this chapter[.]

131. The Enforcement Section realleges and incorporates the allegations of paragraphs 1 through 122 above.

132. The conduct of Respondent Revere, as described above, constitutes violations of Mass. Gen. Laws ch. 110A, § 204(a)(J).

VIII. STATUTORY BASIS FOR RELIEF

Section 407A of the Act provides, in pertinent part:

(a) If the secretary determines, after notice and opportunity for hearing, that any person has engaged in or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order issued thereunder, he may order such person to cease and desist from such unlawful act or practice and may take such affirmative action, including the imposition of an administrative fine, the issuance of an order for an accounting, disgorgement or rescission or any other such relief as in his judgment may be necessary to carry out the purposes of [the Act].

MASS. GEN. LAWS ch. 110A, § 407A.

IX. PUBLIC INTEREST

For any and all of the reasons set forth above, it is in the public interest and will protect Massachusetts investors for the Director to enter an order finding that such “action is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of this chapter [MASS. GEN. LAWS ch. 110A].”

X. RELIEF REQUESTED

The Enforcement Section of the Division requests that an order be entered:

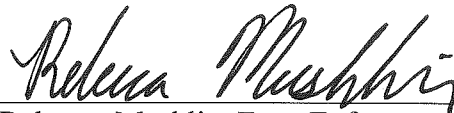
- A. Finding as fact all allegations set forth in paragraphs 1 through 122, inclusive of the Complaint;
- B. Requiring Respondents to permanently cease and desist from further conduct in violation of the Act and Regulations in the Commonwealth;
- C. Censuring Respondents;
- D. Requiring Respondents to provide an accounting for those losses attributable to the alleged wrongdoing;

- E. Requiring Respondents to provide restitution and rescission to fairly compensate Investor One for those losses attributable to the alleged wrongdoing;
- F. Requiring Respondents to disgorge all profits and other direct or indirect remuneration received from the alleged wrongdoing;
- G. Permanently barring Respondent Altman from associating with or registering in the Commonwealth as a broker-dealer, broker-dealer agent, or as a partner, officer, director, or control person of a broker-dealer;
- H. Permanently barring Respondent Altman from associating with or registering in the Commonwealth as a state-registered investment adviser, Securities and Exchange Commission registered investment adviser, and investment adviser excluded from the definition of investment adviser;
- I. Permanently barring Respondent Altman from associating with or registering in the Commonwealth with any issuer of securities in the Commonwealth;
- J. Requiring Respondent Revere to engage an independent compliance consultant to: a) review and establish written policies and procedures including, but not limited to, suitability, churning, and unauthorized trading; b) ensure that such written policies and procedures include methods for enforcement and compliance oversight; and c) review of all of Respondent Altman's clients' accounts while he was a broker-dealer agent of Revere to determine whether any securities violations occurred and rectify such violations, by remedies, including, but not limited to, investor restitution and rescission;
- K. Imposing an administrative fine on Respondents in an amount and upon such terms and conditions as the Director or Presiding Officer may determine;

- L. Finding that all sanctions and remedies detailed herein are in the public interest and necessary for the protection of Massachusetts investors; and
- M. Taking any such further actions which may be necessary or appropriate in the public interest for the protection of Massachusetts investors.

**MASSACHUSETTS SECURITIES DIVISION
ENFORCEMENT SECTION**

By its attorneys,



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