

**FILED**

DEC 6 - 1973

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

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In the Matter of :  
DOORLEY & COMPANY, INC. :  
WILLIAM F. DOORLEY :  
File No. 8-13068 :  
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INITIAL DECISION  
(Private Proceeding)

Sidney Ullman  
Administrative Law Judge

Washington, D. C.  
December 3, 1973

ADMINISTRATIVE PROCEEDING  
FILE NO. 3-3981

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APPEARANCES: Willis H. Riccio and Allan R. Campbell for the Division  
of Enforcement

Doorley & Company, Inc. and William F. Doorley, Pro Se

BEFORE: Sidney Ullman, Administrative Law Judge

THE PROCEEDING

This private proceeding was instituted by order of the Commission dated October 19, 1973 ("Order"), alleging willful violations of Section 17(a) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 17a-3 thereunder and of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by Doorley & Co. Inc. ("Registrant"), and the willful aiding and abetting of said violations by William F. Doorley, ("Doorley").

The violations of Section 17a and Rule 17a-3 of the Exchange Act were alleged to consist of the failure of respondents to accurately make and keep current certain books and records as indicated below: the alleged violations of Section 10(b) and Rule 10b-5 charged fraudulent activities by the respondents from about May 1, 1968 to about March 11, 1969, in connection with transactions involving a loan of cash and securities to Registrant, induced by means of false and misleading statements of material facts and omissions to state material facts concerning Registrant and its relationship to the lender.

Respondents were represented by counsel at the early stage of the proceedings and an answer denying the violations alleged in the Order was filed by said counsel. However, counsel withdrew from the case on February 23, 1973.

On June 4, 1973, the Division of Enforcement ("Division") moved to take the deposition of the lender, Miss Helen G. Coffin ("Miss Coffin"), just prior to her admittance to a hospital for a serious and dangerous

surgical procedure. An order was issued on June 7, 1973 granting the motion pursuant to Rule 15 of the Commission's Rules of Practice, and in accordance with that order Miss Coffin was deposed on June 15, 1973 before Floyd H. Gilbert, Regional Administrator of the Commission's Boston Regional Office. Her deposition and exhibits thereto were received in evidence at the hearing, which was held on June 18, 1973 and concluded subject to the right of respondents to move to reopen by July 18, 1973 for the introduction of additional evidence. However, no motion to reopen was made.

Counsel for the Division submitted proposed findings of fact, conclusions of law and a brief in support thereof. No post-hearing documents have been filed by or on behalf of the respondents.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

Registrant is a Rhode Island corporation which has been registered with the Commission as a broker dealer pursuant to Section 15(b) of the Exchange Act since September 12, 1966. Doorley was president, treasurer and principal shareholder, and at all times the motivating force behind the operations of the company. He was responsible for all of the activities with which these proceedings are concerned. Registrant was a member of the New York Stock Exchange until approximately August 1968 and a member of the American Stock Exchange until approximately December 1968. It transacted its business in stocks listed on the New York and American stock exchanges.

Violations of Section 17a of the Exchange Act and Rule 17a-3 thereunder.

During the pre-trial conference held pursuant to Rule 8d of the Commission's Rules of Practice immediately prior to commencement of the hearing, respondents admitted the allegations contained in Paragraph II A of the Order. Those allegations read as follows:

"A. During the period from on or about November 1, 1968 to on or about March 11, 1969, Registrant willfully violated and Doorley willfully aided and abetted the violations of Section 17(a) of the Exchange Act and Rule 17a-3 thereunder in that Registrant failed to accurately make and keep current certain of its books and records, including, but not by way of limitation:

1. Ledgers (or other records) reflecting all assets and liabilities, income and expense and capital accounts.
2. Ledger accounts (or other records) itemizing separately as to each cash and margin account of every customer and of Registrant and partners thereof, all purchases, sales, receipts and deliveries of securities and commodities for such account and other debits and credits to such account.
3. Securities record or ledger reflecting separately for each security as to the clearance dates all "long" or "short" positions (including securities in safekeeping) carried by Registrant for its account or for the account of its customers or partners and showing the location of all securities long and the offsetting position to all securities short and in all cases the name or designation of the account in which each position is carried."

These admitted record-keeping charges constitute serious violations of important requirements imposed by the Commission on broker dealers in the public interest. See Robert H. Davis, 40 S.E.C. 994 (1962), where the Commission stated that "deficient records make it difficult or

impossible to determine whether or not other types of violation have occurred."<sup>1/</sup> As stated by the Division, "The respondents' failure in this regard is vivid in the light of the registrant's ultimate bankruptcy."<sup>2/</sup>

Respondents contested the allegations of fraud, but the overwhelming weight of evidence supports the charges in the Order. The evidence showed that Doorley had been for some years a friend of Miss Coffin's mother, upon whose death the daughter inherited securities in a substantial amount. She was also Executrix of her mother's estate.

In May or June 1968, Doorley, accompanied by his associate, Martin Bartley, visited Miss Coffin in Warwick Neck, Rhode Island, to discuss the possibility of her investing money in Registrant's business. The firm was then in need of funds to resolve a serious net capital problem, and Doorley knew of Miss Coffin's inheritance. Miss Coffin did not then agree to lend the money at the 8% rate of interest then offered, but in July, after suffering serious injuries in an automobile accident she acceded to Doorley's offer "to be paid in the form of a salary." (Tr. 28). She testified that her hand had been badly injured and she was fearful that she could never work again as a secretary; that Doorley

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1/ Cf. Bernard J. Johnson, 20 S.E.C. 429, 439 (1945); C. Herbert Onderdonk, 37 S.E.C. 847 (1957); Associated Securities Corporation, 40 S.E.C. 10, 18 (1960); Lowell Niebuhr & Co., Inc., 18 S.E.C. 417 (1945).

2/ The bankruptcy occurred subsequent to the appointment of a receiver on March 14, 1969 by the United States District Court for the District of Rhode Island in a proceeding instituted by the Commission to prevent the dissipation of the corporation's assets.

had assured her that she would be a "principal" creditor of the firm, coming even ahead of the Doorley family, and that if she ever wanted her money she need only give one month notice. Nothing was said to her about the firm's financial problems and its precarious net capital position.

The securities which Miss Coffin inherited, among others, were delivered to and sold by Doorley commencing on or about July 25, 1968, with resulting proceeds of \$25,000. Thereafter, under similar arrangements except that the rate of interest was increased to 10% per annum, Miss Coffin delivered to Doorley a portion of her holdings in the Bullock Fund, and these were redeemed by Doorley for some \$10,000 in November 1968. Shortly thereafter Registrant collapsed as a broker dealer firm. Nor was anything said by Doorley about the poor financial condition of Registrant at the time these securities were delivered.

For the purpose of satisfying requirements and concern expressed first by the New York Stock Exchange and later by the American Stock Exchange, Doorley had "subordinated" the loan of Miss Coffin, totalling \$35,000. Although he was permitted to move to reopen the hearing to produce evidence of a subordination agreement purportedly signed by Miss Coffin, no motion to reopen was made. The credible evidence indicated that a subordination agreement presented by Registrant to the American Stock Exchange was a forgery of Miss Coffin's signature. The evidence indicates that the mails and means of interstate transportation and communication were used by respondents in connection with the activity

described. It is clear that Doorley knew what he was doing, and his conduct individually and as agent of the broker dealer was willful. <sup>3/</sup>

From the admitted facts and the credible evidence, it is concluded that Registrant willfully violated and Doorley willfully aided and abetted violations of Section 17(a) of the Exchange Act and Rule 17a-3 thereunder as charged in the Order, and that Registrant willfully violated and Doorley willfully aided and abetted violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder in fraudulently inducing Miss Coffin to lend to Registrant securities or cash in the amount of approximately \$35,000 as charged in the Order. As urged by the Division, Doorley's misrepresentations and omissions of material fact in his negotiations with Miss Coffin and his fraudulent conduct with regard to the asserted subordination of her loan were, of course, serious breaches of his obligation to deal fairly in his activity as a broker-dealer. See Arleen Hughes, 27 S.E.C. 629 (1948), aff'd 174 F. 2d 969 (C.A.D.C., 1949); Haley & Company, 37 S.E.C. 100 (1956); John Pierce, 36 S.E.C. 357 (1955).

PUBLIC INTEREST, SANCTIONS AND ORDER

Although Miss Coffin was able to establish in the bankruptcy proceedings that she had not agreed to subordinate her loan to other obligations of the broker dealer firm and recovered the principal sum as

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3/ Hughes v. S.E.C. 147 F. 2d 969 (C.A.D.C. 1949); Thompson Ross Securities Company 6 S.E.C. 1111 (1940).

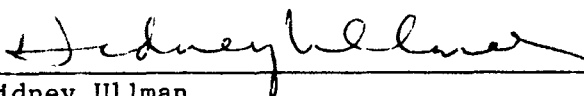


a preferred creditor, the violations merit and the public interest requires that the severest sanction that can be imposed in this proceeding be ordered herein.

Accordingly, IT IS ORDERED that the registration of Doorley & Company, Inc. as a broker-dealer is revoked and that William F. Doorley is barred from association with a broker or dealer.

This order shall become effective in accordance with and subject to the provisions of Rule 17(f) of the Commission's Rules of Practice.

Pursuant to Rule 17(f), this initial decision shall become the final decision of the Commission as to each party who has not, within fifteen (15) days after service of this initial decision upon him, filed a petition for review of this initial decision pursuant to Rule 17(b), unless the Commission pursuant to Rule 17(c) determines on its own initiative to review this initial decision as to him. If a party timely files a petition for review, or the Commission takes action to review as to a party, the initial decision shall not become final with respect to that party.<sup>4/</sup>

  
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<sup>4/</sup> To the extent that the proposed findings and conclusions of the Division are in accordance with the views herein they are accepted.