

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9878 / August 5, 2015

SECURITIES EXCHANGE ACT OF 1934
Release No. 75616 / August 5, 2015

INVESTMENT ADVISERS ACT OF 1940
Release No. 4158 / August 5, 2015

INVESTMENT COMPANY ACT OF 1940
Release No. 31740 / August 5, 2015

ADMINISTRATIVE PROCEEDING
File No. 3-16725

In the Matter of

MURAT M. DORKAN

Respondent.

ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933, SECTIONS 15(b) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, SECTION 203(f) OF THE INVESTMENT ADVISERS ACT OF 1940, AND SECTION 9(b) OF THE INVESTMENT COMPANY ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Murat M. Dorkan (“Dorkan” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Sections 15(b) and 21C of the Securities Exchange Act of 1934, Section 203(f) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds¹ that:

Summary

1. These proceedings arise out of registered representative Murat M. Dorkan’s participation in an offering fraud in connection with the sale of Empire Corporation (“Empire”) “Senior Subordinated Debenture Bonds” and “Registered Debentures” (collectively, the “Empire bonds”). From 2006 to 2010 (the “relevant period”), Dorkan, Wilfred T. Azar, III (“Azar”) (the President, Chairman and Chief Executive Officer of Empire and the chief architect of the fraud) and a third individual (another registered representative) fraudulently raised more than \$7 million from dozens of investors through the unregistered sale of Empire bonds.²

2. During the relevant period, Dorkan sold the Empire bonds to his customers, friends, family members and others, personally raising more than \$3.5 million from dozens of bond sales.

3. Dorkan induced investors to purchase the Empire bonds by making materially false and misleading statements and omissions concerning, among other things, Empire’s financial condition, its ability to generate the promised returns, and the safety and risk of the investment.

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

² Azar, Empire and the other registered representative are defendants in a civil injunctive action filed by the Commission on November 14, 2014, arising out of the facts described in this Order. SEC v. Azar, et al., Civ. Action No. 1:14-cv-03598 (D. Md.).

4. Dorkan also misled investors by claiming that investor proceeds would be used for various corporate purposes. In fact, Azar used most of the investor proceeds to fund his own lifestyle, to finance his other unprofitable and failing businesses unrelated to Empire, to meet Empire's day-to-day operating expenses, and to make interest and redemption payments to existing Empire bond investors.

5. Azar paid Dorkan at least \$143,000 in undisclosed compensation for selling Empire bonds.

Respondent

6. Dorkan began working in the securities industry in 1993 and was associated with a dually-registered broker dealer and investment adviser from December 1993 through October 2010. From October 2010 through September 2014, he was associated with a different registered broker-dealer. Dorkan, 43 years old, is a resident of Timonium, Maryland.

Other Relevant Entity

7. Empire Corporation is a private Maryland real estate management company founded in 1971 with its principal place of business in Glen Burnie, Maryland. Until initiation of foreclosure proceedings in 2013, Empire owned and operated a 250,000 square foot, ten-story office building located in Glen Burnie, Maryland known as Empire Towers. The building was Empire's primary asset and rental income from the building was the company's primary source of revenue.

Background

8. For many years, Empire had been selling bonds as a means of securing secondary funding for the company's operations. The bond offering was never registered with the Commission or with the State of Maryland and was not subject to any registration exemption under the Securities Act.

9. By at least 2006, Empire was struggling financially. Azar depended on a significant portion of the bond proceeds to fund Empire's day-to-day operations and even used the proceeds of the sale of Empire bonds to fund the operations of other unprofitable and failing businesses which were not related to Empire, including businesses in which Dorkan was a co-investor. During the relevant period, Empire's financial condition continued to decline. Its revenues substantially decreased, and its debt dramatically increased.

10. The combination of Empire's large debt service, coupled with Azar's diversion of an increasing amount of funds for himself and his other business ventures drained Empire's available cash. Empire was functionally insolvent by the end of 2006 and Azar became increasingly dependent on Dorkan and the other registered representative to sell Empire bonds.

Dorkan's Participation in the Fraud

11. In or around 2005, Azar first enlisted Dorkan to sell Empire bonds to his brokerage customers and others. As of that time, Azar and Dorkan had a personal and business relationship, and had previous business dealings. Among other things, Dorkan owned a minority interest in several other Azar-controlled real estate ventures.

12. By 2006, Dorkan had begun selling the bonds to his friends, family members, customers, and others. Empire did not provide Dorkan (nor did Dorkan provide investors) with a prospectus or other offering materials describing Empire, the bond offering, or the risks associated with the investment. Dorkan possessed limited documentation concerning the investment -- principally copies of the Empire bond certificates which promised a 10 percent annual return. These certificates, on their face, revealed that the bonds were nothing more than uncollateralized loans.

13. Despite an almost complete absence of supporting material, Dorkan sold Empire bonds for Azar until the Empire bond scheme collapsed in April 2010. During the relevant period, Dorkan sold more than \$3.5 million in Empire bonds.

14. Dorkan knowingly or recklessly ignored red flags in connection with his sale of Empire bonds. Dorkan touted Empire to investors and recommended the bonds to them without having reviewed any prospectus or offering materials, and without possessing any reliable evidence of its current financial condition.

15. Starting in 2009, on multiple occasions Dorkan learned that Empire was not able to meet even certain minor financial obligations as they came due, and that Azar was writing checks that were returned for insufficient funds. Nevertheless, Dorkan continued to solicit investors based primarily on Azar's uncorroborated oral representations that Empire was a successful and profitable company.

16. Dorkan encountered numerous other red flags relating to Azar and Empire while selling Empire bonds. Dorkan knew that Empire's so-called balance sheets were unaudited, did not comply with Generally Accepted Accounting Principles (GAAP), and were not mathematically sound (the assets and liabilities did not actually balance). Additionally, in late 2009, Dorkan learned that Azar intended to use proceeds from the sale of Empire bonds to pay a debt for another company, in which Dorkan was a co-investor.

17. Despite his growing knowledge regarding Empire's precarious financial condition, Dorkan continued soliciting investors to purchase the bonds while touting the investment as "totally safe" with "no risk of loss."

18. Further, Dorkan's sale of Empire bonds directly contravened his firm's internal policies and procedures and a specific directive forbidding him from selling the Empire bonds. Dorkan took affirmative steps to conceal his sale of bonds from his firm.

19. Moreover, in continuing to sell the bonds, Dorkan concealed the fact that his firm had banned him from selling the securities and that Azar was compensating him for selling the bonds.

20. As a result of the conduct described above, Dorkan willfully violated Section 17(a) of the Securities Act, and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the offer or sale of securities and in connection with the purchase or sale of securities.

21. As a result of the conduct described above, Dorkan willfully violated Sections 5(a) and 5(c) of the Securities Act, which prohibit the offer or sale of unregistered securities.

IV.

In view of the foregoing, the Commission deems it appropriate, in the public interest, and for the protection of investors to impose the sanctions agreed to in Respondent Dorkan's Offer.

Accordingly, pursuant to Section 8A of the Securities Act, Sections 15(b) and 21C of the Exchange Act, Section 203(f) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent Dorkan cease and desist from committing or causing any violations and any future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

B. Respondent Dorkan be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, or transfer agent;

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

C. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission

has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

D. Respondent shall pay disgorgement of \$143,000, prejudgment interest of \$23,593 and civil penalties of \$115,000, to the Securities and Exchange Commission. Payment shall be made in the following installments: Respondent shall pay \$100,000 within 10 days of the entry of this Order, followed by three equal payments of \$60,531 annually on the anniversary of the entry of this Order. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of disgorgement, prejudgment interest, and civil penalties, plus any additional interest accrued pursuant to SEC Rule of Practice 600 or pursuant to 31 U.S.C. 3717, shall be due and payable immediately, without further application. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Murat M. Dorkan as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Sharon B. Binger, Division of Enforcement, Securities and Exchange Commission, 1617 JFK Blvd., Suite 520, Philadelphia, PA 19103.

E. The Commission will hold funds paid in this proceeding in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, in accordance with Exchange Act Section 21F(g)(3), transfer them to the general fund of the United States Treasury. The Commission may distribute civil money penalties collected in this proceeding if, in its discretion, the Commission orders the establishment of a Fair Fund ("Fair Fund distribution") pursuant to 15 U.S.C. § 7246, Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended.

F. Regardless of whether any Fair Fund distribution is made, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary