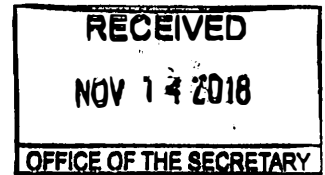


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**BEFORE THE
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC**



In the Matter of the Application of
Scottsdale Capital Advisors Corporation, John J. Hurry, Timothy B. DiBlasi,
and D. Michael Cruz
For Review of Disciplinary Action Taken by
FINRA
Administrative Proceeding File No. 3-18612

FINRA'S BRIEF IN OPPOSITION TO THE APPLICATION FOR REVIEW

Alan Lawhead
Vice President and
Director – Appellate Group

Jante Turner
Associate General Counsel

FINRA – Office of General Counsel
1735 K Street, NW
Washington, DC 20006
202-728-8317 – Telephone
202-728-8264 – Facsimile

November 13, 2018

TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION	1
II. FACTUAL BACKGROUND	3
A. Scottsdale	3
B. Hurry, DiBlasi, and Cruz	4
C. Scottsdale’s Liquidation of 74 Million Shares of Unregistered Microcap Securities.....	5
1. Hurry’s Vertically Integrated Microcap Liquidation Enterprise	5
2. The Selling Customers for the Liquidating Transactions: Cayman Securities, Montage Securities, Titan Securities, Unicorn Securities.....	6
3. The Five Deposits: Three NHPI Deposits, One VPLM Deposit, and One ORFG Deposit	6
4. Scottsdale’s Processes and Procedures Related to the Acceptance and Liquidation of Microcap Securities Deposits	8
a. Scottsdale’s Rule 144 Team.....	9
b. Scottsdale’s Due Diligence Packages	9
c. The Documents Contained in Scottsdale’s Mechanical Due Diligence Packages	10
d. Scottsdale’s Beneficial Ownership Declarations and Process for Identifying Beneficial Owners.....	10
e. Scottsdale’s Process for Approving Deposits of Microcap Securities.....	12
f. Scottsdale’s WSPs Related to the Acceptance and Liquidation of Deposits of Microcap Securities	12
D. Hurry Created, Managed, and Controlled Cayman Securities to Serve as the Offshore Broker-Dealer to Distance Scottsdale from Its Suspicious Microcap Liquidation Business.....	13
1. Scottsdale’s Regulatory Landscape Informed Hurry’s Creation of Cayman Securities.....	14

TABLE OF CONTENTS (cont'd)

	<u>PAGE</u>
2. Hurry Created Cayman Securities	14
3. Hurry Hired Gregory Ruzicka, Ostensibly to Manage Cayman Securities.....	15
4. Hurry Managed and Controlled Cayman Securities	16
5. Hurry Concealed His Management and Control of Cayman Securities ...	18
III. PROCEDURAL BACKGROUND.....	21
IV. ARGUMENT.....	22
A. The Standard of Review.....	22
B. FINRA Has Authority to Impose Liability on Firms and Registered Representatives That Act Unethically and That Act in Contravention of the Securities Act	22
1. The Exchange Act Provides FINRA with a Broad Grant of Authority to Discipline Its Firms and Registered Representatives for a Variety of Misconduct, Including Hurry’s Unethical Conduct and Scottsdale’s Unregistered Securities Sales.....	23
a. FINRA Rule 2010 Applies to an Array of Unethical Conduct, Including Hurry’s Creation, Management, and Control of Cayman Securities	23
b. FINRA Rule 2010 Applies to Scottsdale’s Unregistered Securities Sales	24
C. Scottsdale Sold Unregistered and Nonexempt Microcap Securities, in Violation of FINRA Rule 2010	28
1. Scottsdale Violated FINRA Rule 2010 Because the Firm Acted in Contravention of Section 5 of the Securities Act.....	28
2. Scottsdale Had the Burden of Proving the Applicability of Its Claimed Exemptions – Rule 144 and Section 4(a)(4) of the Securities Act	29
3. Scottsdale Cannot Claim Exemptions Under Rule 144 and Section 4(a)(4) of the Securities Act for Any of the Five Deposits.....	29

TABLE OF CONTENTS (cont'd)

	<u>PAGE</u>
a. Rule 144 and Section 4(a)(4) Can Operate in Concert	30
b. Rule 144 and Section 4(a)(4) Require a Searching Inquiry	32
c. Scottsdale Did Not Conduct a Searching Inquiry into the Unregistered Microcap Securities Deposits.....	33
(1) Scottsdale’s Due Diligence Was Cursory and Incomplete.....	34
(2) Scottsdale’s Due Diligence Was Mechanical and Not Tailored to Address the Risks Associated with Its Microcap Securities Liquidation Business.....	41
d. Scottsdale Failed to Prove That the Beneficial Owners of the Deposited Unregistered Microcap Shares Were Not Affiliates of the Issuers.....	43
e. Scottsdale Failed to Establish the One-Year Holding Period for the Resale of Restricted Securities.....	48
(1) Satisfaction of the One-Year Holding Period Through Tacking to the Issuer’s Same Securities	48
(2) Application of the Family Resemblance Test Proves That the Collins/NHPI Promissory Note, Locksmith Financial/VPLM Verbal Line of Credit, and Forward/ORFG Convertible Promissory Note Are Not Securities.....	49
f. Scottsdale Failed to Prove That Two Issuers – NHPI and ORFG – Were Not Shell Companies.....	55
g. Scottsdale Cannot Rely on Rule 144 Because the Firm’s Due Diligence Packages Were Part of a Plan to Evade the Registration Requirements of the Securities Act.....	58
D. Hurry Unethically Created, Managed, and Controlled Cayman Securities, in Violation of FINRA Rule 2010.....	59
1. FINRA Charged Hurry with a Violation of FINRA Rule 2010, Not Section 5 of the Securities Act.....	59

TABLE OF CONTENTS (cont'd)

	<u>PAGE</u>
2. FINRA Provided Hurry with Adequate Notice That His Creation, Management, and Control of Cayman Securities Was the Subject of This Disciplinary Proceeding.....	61
3. The Hearing Panel Properly Admitted, and the NAC Properly Relied on, Gregory Ruzicka’s On-the-Record Testimony	62
a. Certain Communications Between Ruzicka and Applicants’ Counsel Necessitated the Admission of Ruzicka’s On-the-Record Testimony	63
b. The NAC Carefully Examined Gregory Ruzicka’s On-the-Record Testimony and Gave the Testimony Its Proper Weight.....	64
c. The NAC Considered Gregory Ruzicka’s Purported Bias Against Hurry and Ruzicka’s Mental Health and Properly Determined That They Were Not Relevant to the Reliability of Ruzicka’s On-the-Record Testimony.....	65
4. Hurry’s “Tax-Driven” Reasons for Cayman Securities Do Not Undo the Fact That His Creation, Management, and Control of the Foreign Broker-Dealer Was Unethical and Violated FINRA’s Rules.....	67
E. Scottsdale and DiBlasi Failed to Establish and Maintain Supervisory Systems, Including WSPs, That Were Reasonably Designed to Prevent the Sale of Unregistered Microcap Securities, in Violation of NASD Rule 3010 and FINRA Rule 2010	69
1. DiBlasi Was Responsible for Scottsdale’s WSPs.....	70
2. Scottsdale’s WSPs Did Not Accurately Describe the Firm’s Microcap Securities Business or Designate a Specific Individual to Supervise the Rule 144 Review Process.....	72
3. Scottsdale’s WSPs Did Not Require a Searching Inquiry into the Selling Customers’ Beneficial Ownership	73
4. Scottsdale’s Rule 144 Manual Did Not Fill the Gaps in the Firm’s WSPs.....	74
F. Scottsdale and Cruz Failed to Supervise Scottsdale’s Unregistered Microcap Securities Liquidation Business	76

TABLE OF CONTENTS (cont'd)

	<u>PAGE</u>
1. Cruz Ignored Red Flags Related to Scottsdale’s Unregistered Microcap Liquidation Business.....	76
2. Cruz’s Passive Approach to Supervision Did Little to Protect the Securities Markets from the Unlawful Distribution of Microcap Securities.....	78
3. Evidence of Scottsdale’s Rejection of Other Deposits Is Irrelevant.....	79
4. The NAC Did Not Ignore the Context of the Deposits; Rather, Scottsdale’s Due Diligence Packages Provided No Context for the Deposits	81
G. The Sanctions That the NAC Imposed on the Applicants Are Neither Excessive Nor Oppressive	82
1. The Sanctions Imposed on Scottsdale Are Appropriate in Light of Scottsdale’s Disciplinary History	82
a. Scottsdale’s Sanctions for Selling Unregistered and Nonexempt Microcap Securities	83
b. Scottsdale’s Sanctions for Its Supervisory Failures.....	85
2. Hurry’s Bar Is Neither Excessive Nor Oppressive	86
a. FINRA Maintains the Ability to Impose a Bar in Its Disciplinary Cases	87
b. A Bar Is the Appropriate Sanction for Hurry’s Unethical Conduct.....	87
3. DiBlasi’s Suspension and Fine Are Neither Excessive Nor Oppressive.....	88
4. Cruz’s Suspension and Fine Are Neither Excessive Nor Oppressive.....	89
V. CONCLUSION.....	90

TABLE OF AUTHORITIES

PAGE(S)

FEDERAL DECISIONS AND RELEASES

<i>CE Carlson, Inc. v. SEC</i> , 859 F.2d 1429 (10th Cir. 1988)	33
<i>Credit Suisse First Boston v. Grunwald</i> , 400 F.3d 1119 (9 th Cir. 2005)	27
<i>Customer Due Diligence Requirements for Financial Institutions</i> ,..... 81 Fed. Reg. 29,398 (May 11, 2016)	44
<i>Exch. Nat'l Bank v. Touche Ross & Co.</i> , 544 F.2d 1126 (2d Cir. 1976)	50, 53, 55
<i>Heath v. SEC</i> , 586 F.3d 122 (2d Cir. 2009).....	60, 62
<i>Kokesh v. SEC</i> , 137 S. Ct. 1635 (2017)	86
<i>Kunz v. SEC</i> , 64 F. App'x 659 (10th Cir. 2003)	26
<i>New Earthshell Corp. v. Jobookit Holdings Ltd.</i> , 2015 U.S. Dist. LEXIS 27141	52, 55 (S.D.N.Y. Mar. 5, 2015)
<i>PAZ Sec., Inc. v. SEC</i> , 566 F.3d 1172 (D.C. Cir. 2009)	87
<i>Reves v. Ernst & Young</i> , 494 U.S. 56 (1990).....	49, 50, 51
<i>Scottsdale Capital Advisors Corp. v. FINRA</i> , 844 F.3d 414 (4th Cir. 2016).....	25-26
<i>SEC v. Greenstone Holdings, Inc.</i> , 2012 U.S. Dist. LEXIS 44192	53 (S.D.N.Y. Mar. 28, 2012)
<i>SEC v. Ralston Purina Co.</i> , 346 U.S. 119 (1953).....	26
<i>SEC v. Thompson</i> , 732 F.3d 1151 (10th Cir. 2013).....	53
<i>Sorrell v. SEC</i> , 679 F.2d 1323 (9th Cir. 1982)	26
<i>TC Heartland LLC v. Kraft Foods Grp. Brands LLC</i> , 137 S. Ct. 1514 (2017)	27
<i>U.S. v. Madigan</i> , 300 U.S. 500 (1937).....	27
<i>World Trade Fin. Corp. v. SEC</i> , 739 F.3d 1243 (9th Cir. 2014)	26

TABLE OF AUTHORITIES (cont'd)

PAGE(S)

COMMISSION DECISIONS AND RELEASES

<i>ACAP Fin., Inc.</i> , Exchange Act Release No. 70046,..... 2013 SEC LEXIS 2156 (July 26, 2013), <i>aff'd</i> 783 F.3d 763	24
<i>Daniel Joseph Alderman</i> , 52 S.E.C. 366 (1995)..... <i>aff'd</i> , 104 F.3d 285 (9th Cir. 1997)	24
<i>John D. Audifferen</i> , Exchange Act Release No. 58230,..... 2008 SEC LEXIS 1740 (July 25, 2008)	87
<i>Timothy L. Burkes</i> , 51 S.E.C. 356 (1993)..... <i>aff'd</i> , 29 F.3d 630 (9th Cir. 1994)	23, 60
<i>Consol. Bankshares of Florida</i> , 1972 SEC No-Act. LEXIS 7 (Nov. 23, 1972).....	45
<i>Distribution by Broker-Dealers of Unregistered Securities</i> ,..... Exchange Act Release No. 6721, 1962 SEC LEXIS 74 (Feb. 2, 1962)	32, 33, 43, 48
<i>Scott Epstein</i> , Exchange Act Release No. 59328,..... 2009 SEC LEXIS 217 (Jan. 30, 2009)	64
<i>Ernst & Young LLP</i> , Initial Decisions Release No. 249,..... 2004 SEC LEXIS 831 (Apr. 16, 2004)	34
<i>Alvin W. Gebhart, Jr.</i> , Exchange Act Release No. 53136, 2006 SEC LEXIS 1133 (Jan. 18, 2006)	25
<i>Robert E. Gibbs</i> , 51 S.E.C. 482 (1993), <i>aff'd</i> , 25 F.3d 1056 (10th Cir. 1994).....	66
<i>Thomas W. Heath, III</i> , Exchange Act Release No. 59223,..... 2009 SEC LEXIS 14 (Jan. 9, 2009), <i>aff'd</i> , 586 F.3d 122 (2d Cir. 2009)	60
<i>George J. Kolar</i> , 55 S.E.C. 1009 (2002)	78
<i>Robert G. Leigh</i> , 50 S.E.C. 189 (1990).....	29
<i>Rita J. McConville</i> , 58 S.E.C. 596 (2005) <i>aff'd</i> 465 F.3d 780 (7th Cir. 2006)	65, 71

TABLE OF AUTHORITIES (cont'd)

PAGE(S)

Midas Sec., LLC, Exchange Act Release No. 66200,..... *passim*
2012 SEC LEXIS 199 (Jan. 20, 2012)

Blair C. Mielke, Exchange Act Release No. 75981,.....60
2015 SEC LEXIS 3927 (Sept. 24, 2015).

Ronald Pellegrino, Exchange Act Release No. 59125,80
2008 SEC LEXIS 2843 (Dec. 19, 2008)

Revisions to Rules 144 and 145, Securities Act Release No. 8869,48
2007 SEC LEXIS 2850 (Dec. 6, 2007)

Sales of Unregistered Securities by Broker-Dealers,47
Exchange Act Release No. 9239, 1971 SEC LEXIS 19 (July 7, 1971)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; . . . Order Approving Proposed Rule Change to Adopt FINRA Rule 2010 (Standards of Commercial Honor and Principles of Trade) et al., Exchange Act Release No. 58643, 2008 SEC LEXIS 2279 (Sept. 25, 2008).....25

SIG Specialists, Inc., Exchange Act Release No. 51867,25
2005 LEXIS 1428 (June 17, 2005)

Jack H. Stein, 56 S.E.C. 108 (2003)82

Stratton Oakmont, Inc., 52 S.E.C. 1170 (1997).....25

Charles D. Tom, 50 S.E.C. 1142 (1992)), *aff'd*, 416 F. App'x 142 (3d Cir. 2010).....65

Robert G. Weeks, 56 S.E.C. 1297 (2003).....29

Blair Alexander West, Exchange Act Release No. 74030,24
2015 SEC LEXIS 102 (Jan. 9, 2015)

FINRA DECISIONS

Dep't of Enforcement v. Grivas, Complaint No. 2012032997201,24
2015 FINRA Discip. LEXIS 16 (FINRA NAC July 16, 2015),
aff'd, Exchange Act Release No. 77470, 2016 SEC LEXIS 1173 (Mar. 29, 2016)

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PAGE(S)

Dep't of Enforcement v. McGuire, Complaint No. 20110273503,64
2015 FINRA Discip. LEXIS 53 (FINRA NAC Dec. 17, 2015)

COMMISSION COMPLAINTS

SEC v. Carrillo Huettel LLP, No. 13 Civ. 1735 (S.D.N.Y. filed March 15, 2013).....14, 74

SEC v. Gibraltar Global Sec., Inc., No. 13 Civ. 2575 (S.D.N.Y. filed Apr. 18, 2013).....14, 74

SEC v. Ruettiger, No. 2:11-cv-2011 (D. Nev. filed Dec. 16, 2011)14, 74

SEC v. Tavella, No. 13-cv-4609 (S.D.N.Y. filed July 3, 2013).....14, 74

FEDERAL RULES AND GUIDELINES

15 U.S.C. § 77d(a)(4) (2014).....31

15 U.S.C. § 77e(a) (2014).....28

15 U.S.C. § 77e(c) (2014).....28

15 U.S.C. § 78c(a)(10) (2018)50, 52

15 U.S.C. § 78o-3(b)(3).....23

15 U.S.C. § 78o-3(b)(6).....26

15 U.S.C. § 78o-3(b)(7).....87

15 U.S.C. § 78s(e).....22

15 U.S.C. § 78s(e)(2)82

17 C.F.R. § 230.144 (2013) (preliminary note)58

17 C.F.R. § 230.144(a)(3).....30

17 C.F.R. § 230.144(c)(2013).....30

17 C.F.R. § 230.144(d) (2013).....30

17 C.F.R. § 230.144(d)(3) (2013).....49

TABLE OF AUTHORITIES (cont'd)

	<u>PAGE(S)</u>
17 C.F.R. § 230.144(d)(3)(ii) (2013)	49, 55
17 C.F.R. § 230.144(e) (2013)	30
17 C.F.R. § 230.144(f) (2013)	30
17 C.F.R. § 230.144(f)(1)(i) (2013)	31
17 C.F.R. § 230.144(g)(4) (2013)	31, 32
17 C.F.R. § 230.144(g)(4)(i) (2013)	56
17 C.F.R. § 230.144(h) (2013)	30
17 C.F.R. § 230.144(i) (2013)	30
26 C.F.R. § 1.1367-2 (2018)	53

FINRA RULES AND GUIDELINES

<i>FINRA Regulatory Notice 09-05</i> , 2009 FINRA LEXIS 7 (Jan. 2009)	58, 77
FINRA Rule 2010	60
FINRA Rule 9145(a)	64
FINRA Rule 9145(b)	36, 57
FINRA Sanction Guidelines (2018)	<i>passim</i>
NASD Rule 3010(a)(2)	70
NASD Rule 3010(b)(3)	70

MISCELLANEOUS

J. William Hicks, <i>Resales of Restricted Securities at</i>	31
§ 4:8 (Broker's Duties – General) (2017 ed. (March 2017 Update))	

TABLE OF AUTHORITIES (cont'd)

	<u>PAGE(S)</u>
J. William Hicks, Resales of Restricted Securities at § 4:10 (Rule in Context: Sections 4(a)(1) and 4(a)(4)) (2017 ed. (March 2017 Update))	31
H.R. Rep. No. 75-2307 (1938).....	26
Merriam-Webster Dictionary.....	12
NHPI Amended Form 10-K (Apr. 30, 2009).....	36-37, 57
NHPI OTC Markets Disclosures	36
ORFG Annual Report (March 25, 2016)	38, 58
Pub L. No. 94-29, 89 Stat. 168 (1975).....	26
<i>Rule 144 – Persons Deemed Not to be Engaged in a Distribution.....</i> <i>and therefore Not Underwriters – General Guidance</i>	47
<i>Rule 144: Selling Restricted and Control Securities (Jan. 16, 2013)</i>	30
S. Rep. No. 75-1455 (1938).....	26
VPLM Annual Report (Nov. 6, 2013)	37

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Administrative Proceeding File No. 3-18612

FINRA’S BRIEF IN OPPOSITION TO THE APPLICATION FOR REVIEW

I. INTRODUCTION

Scottsdale Capital Advisors Corporation (“Scottsdale” or the “Firm”), John J. Hurry, Timothy B. DiBlasi, and D. Michael Cruz (collectively, the “Applicants”) appeal a FINRA National Adjudicatory Council (“NAC”) decision, which found that Scottsdale unlawfully liquidated millions of shares of unregistered and nonexempt microcap securities over a six-month period. Between December 2013 and June 2014, Scottsdale liquidated over 74 million unregistered shares of three microcap issuers despite the presence of numerous red flags that the transactions should not be approved.

The entity that deposited the shares at Scottsdale was Cayman Securities Clearing and Trading, Ltd., SECZ (“Cayman Securities”). The company that provided clearing services for the unregistered microcap trades was Alpine Securities Corporation (“Alpine Securities”). Scottsdale’s founder, owner, and director, Hurry, founded and owns each of the entities involved in a vertically integrated microcap liquidation business – the liquidating broker-dealer,

Scottsdale, the foreign broker-dealer that represented the selling customers of the unregistered microcap shares, Cayman Securities, and the clearing firm, Alpine Securities.

The record in this case amply supports the Applicants' liability for misconduct, and the Commission should affirm the NAC's findings. First, although Scottsdale claims that Rule 144 and Section 4(a)(4) of the Securities Act of 1933 ("Securities Act") apply to its unregistered microcap securities sales, the record demonstrates that the Firm failed to make the searching inquiry that Rule 144 and Section 4(a)(4) require and failed to carry its burden of proof to establish the nonaffiliate status of the beneficial owners of the unregistered microcap shares, the one-year holding period that applies to resales of restricted securities, and the non-shell company status of two of the relevant issuers.

Second, the record supports that Hurry engaged in unethical conduct when he created, managed, and controlled Cayman Securities, the foreign broker-dealer that deposited the shares at Scottsdale and represented the selling customers and beneficial owners in the liquidating transactions. Hurry's creation, management, and control of Cayman Securities was unethical because he intentionally organized Cayman Securities to act as a buffer between Scottsdale and its suspicious foreign customers to allow Scottsdale to evade the federal securities laws.

Third, the record demonstrates that Scottsdale and its chief compliance officer ("CCO"), DiBlasi, failed to establish and maintain supervisory systems and written supervisory procedures ("WSPs") tailored to Scottsdale's microcap liquidation business. Scottsdale and DiBlasi failed to ensure that Scottsdale's WSPs reflected the Firm's operations, and they failed to tailor the Firm's WSPs to address the risks associated with the Firm's primary business, the deposit and liquidation of microcap securities.

Fourth, the record proves that Scottsdale and its former president, Cruz, failed to supervise, and failed to adequately respond to red flags concerning, Scottsdale's microcap liquidation business. To the contrary, the record shows that Scottsdale and Cruz engaged in perfunctory and ineffectual supervision, ignored conspicuous red flags, and failed to ensure that five deposits were exempt from registration.

Finally, the NAC imposed fitting sanctions on Scottsdale, Hurry, DiBlasi, and Cruz for their misconduct. The NAC fined Scottsdale \$1.25 million for its unregistered microcap securities liquidations, fined the Firm an additional \$250,000 as an aggregate sanction for its two supervisory violations, and ordered the Firm to engage an independent consultant to monitor the Firm's acceptance and liquidation of microcap securities deposits and review the Firm's supervisory procedures related to its microcap securities liquidation business. The NAC barred Hurry in all capacities, suspended DiBlasi in all capacities for two years and fined him \$50,000, and suspended Cruz in all capacities for two years and fined him \$50,000. The sanctions the NAC imposed on Scottsdale, Hurry, DiBlasi, and Cruz for their misconduct are commensurate with the seriousness of their violations, consistent with FINRA's Sanction Guidelines, and neither excessive nor oppressive. The Commission therefore should affirm the NAC's decision.

II. FACTUAL BACKGROUND

A. Scottsdale

In June 2001, Hurry formed Scottsdale. Appendix A at 5.¹ Scottsdale became a member of FINRA in May 2002. Appendix A at 3. Between December 2013 and June 2014, Scottsdale

¹ Scottsdale's CRD, dated November 13, 2018, is attached as Appendix A. The Commission may take official notice of information contained in CRD. 17 C.F.R. § 201.323 (2018).

had 14 to 20 employees and operated from a single location in Scottsdale, Arizona. RP 2454, 3837, 5285.²

B. Hurry, DiBlasi, and Cruz

In May 1991, Hurry entered the securities industry when he registered with Waddell & Reed, Inc. Appendix B at 9-10.³ Between December 2013 and June 2014, Hurry served as Scottsdale's "director," and he maintained an indirect ownership interest in the Firm. Appendix A at 6.⁴

DiBlasi joined Scottsdale in April 2012 and remains registered with the Firm. Appendix C at 3.⁵ Between December 2013 and June 2014, DiBlasi served as the Scottsdale's CCO, a position that he continues to occupy. Appendix A at 5; RP 4263-64.

During his tenure with Scottsdale, Cruz was registered as a general securities representative, general securities principal, investment banking representative, and operations professional. Appendix D at 3.⁶ Between December 2013 and June 2014, Cruz served as

² References to Hurry's Opening Brief are cited as "Hurry Br. at ___." References to Cruz's and Scottsdale's Opening Brief are cited as "Cruz Br. at ___." References to DiBlasi's and Scottsdale's Opening Brief are cited as "DiBlasi Br. at ___." References to the certified record are cited as "RP ___."

³ Hurry's CRD, dated November 13, 2018, is attached as Appendix B.

⁴ Between December 2013 and June 2014, a family trust was the sole member and owner of the holding company that owned Scottsdale. Appendix A at 6. Hurry and his wife were the trustees of the family trust during the relevant period. Appendix A at 6.

⁵ DiBlasi's CRD, dated November 13, 2018, is attached as Appendix C.

⁶ Cruz's CRD, dated November 13, 2018, is attached as Appendix D.

Scottsdale's president, chief legal counsel, and assistant corporate secretary.⁷ RP 2417-18, 5319-21.

C. Scottsdale's Liquidation of 74 Million Shares of Unregistered Microcap Securities

Between December 2013 and June 2014, Scottsdale liquidated 74 million unregistered shares of three nonreporting microcap issuers – Neuro-Hitech, Inc. (“NHPI”), Voip-Pal.com (“VPLM”), and Orofino Gold Corporation (“ORFG”). RP 7859, 7915, 8239, 10677-78.

1. Hurry's Vertically Integrated Microcap Liquidation Enterprise

All 74 million liquidations occurred within a vertically integrated microcap liquidation enterprise that Hurry founded and owns. Hurry formed and owns Scottsdale, the broker-dealer that accepted the deposited unregistered microcap securities and served as the liquidating broker-dealer for the five deposits. Appendix A at 6; RP 3649. Hurry established and owns Cayman Securities, the foreign broker-dealer that served as the qualified intermediary for the liquidating transactions and represented the selling customers and beneficial owners who had deposited the unregistered microcap shares at Scottsdale. RP 3670-71, 5522, 5647-48. Hurry also founded and owns Alpine Securities. Appendix B at 15-16; RP 3648, 5471-85.

Scottsdale, Cayman Securities, and Alpine Securities, together, constituted a self-contained system for the processing, liquidation, and distribution of microcap securities. Cayman Securities worked exclusively with Scottsdale, and, in turn, Scottsdale cleared all of its securities transactions through Alpine Securities. RP 2481, 4636. No individual or entity outside of Hurry's vertically integrated microcap liquidation enterprise was involved in the

⁷ Cruz currently serves as the General Counsel for Scottsdale's holding company. RP 2410.

preparation, approval, or clearing of the microcap securities that Cayman Securities deposited for resale at Scottsdale.

2. The Selling Customers for the Liquidating Transactions: Cayman Securities, Montage Securities, Titan Securities, Unicorn Securities

Although Cayman Securities was Scottsdale's "customer" for all 74 million liquidations (i.e., Cayman Securities deposited the 74 million shares at Scottsdale), Cayman Securities made the deposits "FBO," or "for the benefit of," three foreign financial institutions – Montage Securities Corporation ("Montage Securities"), Titan Securities, Inc. ("Titan Securities"), and Unicorn Securities, LLC ("Unicorn Securities"). RP 8411-12 (First NHPI Deposit – Unicorn Securities), 8488-89 (Second NHPI Deposit – Unicorn Securities), 8568-69 (Third NHPI Deposit – Unicorn Securities), 8639-40 (VPLM Deposit – Montage Securities), 8927-28 (ORFG Deposit – Unicorn Securities). Montage Securities was located in Panama. RP 7090-95. Titan Securities and Unicorn Securities were entities located in Belize. RP 7493-97, 9307-12. To complicate matters further, Montage Securities, Titan Securities, and Unicorn Securities purported to act "FFBO," or "for the further benefit of" other entities or individuals. RP 8411-12, 8488-89, 8568-69, 8639-40, 8927-28.

3. The Five Deposits: Three NHPI Deposits, One VPLM Deposit, and One ORFG Deposit

Between February 5, 2014 and March 10, 2014, Cayman Securities made three deposits of unregistered shares of microcap issuer, NHPI, at Scottsdale for resale. RP 8426, 8504. The three deposits totaled 60 million NHPI shares. RP 8426 (two deposits totaling 40 million shares), 8504 (one deposit totaling 20 million shares). Cayman Securities made the deposits for the benefit of Unicorn Securities. RP 8411-12, 8488-89, 8568-69. Unicorn Securities purported to act for the further benefit of three other Belizean corporations, Sky Walker, Inc. ("Sky

Walker”), Swiss National Securities, SA (“Swiss National Securities”) and Ireland Offshore Securities, SA (“Ireland Offshore Securities”).⁸ RP 8411-12, 8426, 8488-89, 8504, 8568-69. Between February 26, 2014 and May 7, 2014, Scottsdale liquidated all 60 million shares of NHPI from Cayman Securities’ account at the Firm. RP 7859. The liquidations generated net proceeds of \$264,711.70 for Sky Walker, Swiss National Securities, and Ireland Offshore Securities, and commissions of \$4,727.68 for Scottsdale. RP 7859.

On February 6, 2014, Cayman Securities deposited a total of 9.32 million shares of microcap issuer, VPLM, at Scottsdale for resale. RP 8639-40, 8656. Cayman Securities made the deposit for the benefit of Montage Securities. RP 8639-40. Montage Securities purported to act for the further benefit of a Bolivian entity named VHB International, Ltd.⁹ RP 8639-40, 8650-51. Between February 20, 2014 and June 6, 2014, Scottsdale liquidated 7.81 million shares of VPLM from Cayman Securities’ account at the Firm.¹⁰ RP 7915. The sales generated net proceeds of \$1.41 million for VHB International and commissions of \$22,172.92 for Scottsdale.¹¹ RP 7915.

⁸ The beneficial owners of the NHPI shares deposited at Scottsdale were Patrick Gentle (Sky Walker’s president), Talal Fouani (Swiss National Securities’ president), and Jeff Cox (Ireland Offshore Securities). RP 8421-22, 8446, 8498-99, 8515, 8579-80. The record does not disclose Jeff Cox’s role within Ireland Offshore Securities.

⁹ The beneficial owner of the VPLM shares was Victor Hugo Bretel (VHB International’s owner, managing member, and president). RP 8650-51.

¹⁰ The record does not disclose what happened with the remaining 1.51 million shares of VPLM.

¹¹ VHB International purportedly acquired its shares of VPLM at a cost of \$0.008186 per share. RP 8671-75. Based on that per share price, VHB International’s total acquisition cost for the 7.81 million VPLM shares was \$63,932.66. RP 7915, 8671-75. VHB International therefore obtained a profit of \$1.35 million (or more than 2,000 percent) on the transactions. RP 7915, 8671-75.

On June 5, 2014, Cayman Securities deposited a total of 13.28 million shares of microcap issuer, ORFG, at Scottsdale for resale. RP 8927-28. Cayman Securities made the deposit for the benefit of Unicorn Securities. RP 8927-28. Unicorn Securities purported to act for the further benefit of another Belize-based entity named Media Central Corp. (“Media Central”).¹² RP 8927-28. Between June 11 and June 30, 2014, Scottsdale liquidated 6.40 million shares of ORFG from Cayman Securities’ account at the Firm.¹³ RP 8239. The sales generated net proceeds of \$91,408.43 for Media Central and commissions of \$1,911.07 for Scottsdale. RP 8239.

After Scottsdale liquidated the 74 million shares of NHPI, VPLM, and ORFG, Scottsdale wired out the proceeds to Cayman Securities’ bank account. RP 3000-01, 7859, 7915, 8239. After it did so, Scottsdale did not follow the funds, did not know where the funds flowed, and did not know who received the economic benefit of the funds. RP 3000-01.

4. Scottsdale’s Processes and Procedures Related to the Acceptance and Liquidation of Microcap Securities Deposits

Scottsdale’s principal business is the deposit and liquidation of microcap securities for its customers. RP 3659. Between December 2013 and June 2014, microcap deposits and liquidations accounted for more than 95 percent of the transactions that Scottsdale executed for its customers and served as the primary source of Scottsdale’s revenue. RP 4265. Because most of the securities that Scottsdale sold on behalf of its customers were unregistered, Scottsdale relied heavily on Rule 144 exemptions for its liquidations, and, as a consequence, Scottsdale had

¹² The beneficial owner of the ORFG shares deposited at Scottsdale was Geovanni Moh (Media Central’s president). RP 8937-38.

¹³ The record does not disclose what happened with the remaining 6.88 million shares of ORFG.

a dedicated team (the “Rule 144 Team”) to review the microcap securities that were deposited for resale. RP 2922, 4265.

a. Scottsdale’s Rule 144 Team

The Rule 144 Team reviewed the microcap security deposits, collected and assembled information and documents related to the deposited microcap securities and depositing customers, and prepared a “Due Diligence Package” for the Rule 144 Team manager’s review. RP 4295.

Between December 2013 and June 2014, Henry Diekmann was the Rule 144 Team’s manager. RP 3225, 4296. Despite Diekmann’s designation as manager of the Rule 144 Team, Cruz had final approval authority over Rule 144 transactions, including the transactions that occurred in this case. RP 3033, 3496-98. In his role as final approver, Cruz reviewed the documents and information that the Rule 144 Team had assembled in the Due Diligence Packages, and he determined whether the documents and information were sufficient to approve the microcap security deposit. RP 3034-35.

b. Scottsdale’s Due Diligence Packages

The Due Diligence Packages that Scottsdale’s Rule 144 Team prepared contained all of the information that the Rule 144 Team had gathered for deposited microcap securities that were intended for resale. RP 4258-59. “[A]s of the time [that] the deposits were approved,” the Due Diligence Packages “represent[ed] the state of the [F]irm’s knowledge with regard to beneficial owners” and “the parties to the underlying agreements.” RP 4258-59. In short, everything that Scottsdale knew about a deposit when Scottsdale concluded that it could sell a deposited security pursuant to the Rule 144 exemption is contained in the Due Diligence Package.

c. The Documents Contained in Scottsdale's Mechanical Due Diligence Packages

Scottsdale's Due Diligence Package contains a two-page "Deposited Securities Checklist." RP 8411-12 (Deposited Securities Checklist for First NHPI Deposit), 8488-89 (Deposited Securities Checklist for Second NHPI Deposit), 8568-69 (Deposited Securities Checklist for Third NHPI Deposit), 8639-40 (Deposited Securities Checklist for VPLM Deposit), 8927-28 (Deposited Securities Checklist for ORFG). The Deposited Securities Checklist contained two signature approvals, a "Broker Approval" and a "144 Compliance Approval." RP 8412, 8489, 8569, 8640, 8928. Jay Noiman, Scottsdale's former manager of trading and sales and the Firm's CCO prior to DiBlasi, signed the Broker Approval section of the Deposited Securities Checklist for all five deposits at issue. RP 8412, 8489, 8569, 8640, 8928. Cruz signed the 144 Compliance Approval for all five deposits. RP 8412, 8489, 8569, 8640, 8928. When Cruz signed, he attested that, "[b]ased on the information received and reviewed as described in this Deposited Securities Checklist, [Scottsdale] reasonably believes the subject securities are free-trading." RP 8412, 8489, 8569, 8640, 8928.

d. Scottsdale's Beneficial Ownership Declarations and Process for Identifying Beneficial Owners

One key document contained in Scottsdale's Due Diligence Packages was the "Beneficial Ownership Declaration." RP 8421-22 (Swiss National Securities Deposit), 8498-99 (Sky Walker Deposit), 8579-80 (Ireland Offshore Securities Deposit), 8650-51 (VHB International Deposit), 8937-38 (Media Central Deposit). The Beneficial Ownership Declaration consisted of check boxes and blank fields "to be completed by beneficial owner." RP 8421-22, 8498-99, 8579-80, 8650-51, 8937-38.

The Beneficial Ownership Declaration included a description of how the beneficial owner acquired the shares and asked whether the beneficial owner was the exclusive beneficial owner of the shares intended for resale. RP 8421-22, 8498-99, 8579-80, 8650-51, 8937-38. The Beneficial Ownership Declaration certified that the shares were free-trading, that the shares were not subject to any resale restrictions, and that, to the beneficial owner's knowledge, the issuer was not a shell company. RP 8421-22, 8498-99, 8579-80, 8650-51, 8937-38. The Beneficial Ownership Declaration was not sworn, witnessed, or notarized, nor did it provide any contact information for the person signing the form. RP 8421-22, 8498-99, 8579-80, 8650-51, 8937-38.

Cruz testified that he relied on the representations in the Beneficial Ownership Declaration to determine whether the identified beneficial owner of the deposited shares was an affiliate of the issuer, to ascertain whether the identified beneficial owner was the person who had the actual economic interest in the deposited shares, and, ultimately, to decide whether to accept a deposit for resale. RP 2537-40. Cruz asserted that the Beneficial Ownership Declaration was "unequivocal," and that the parties to the transactions understood Scottsdale's expectations concerning the beneficial ownership of the deposited shares. RP 2540.

As Cruz acknowledged, however, Scottsdale's Beneficial Ownership Declaration, and the Firm's processes and procedures overall, failed to account for the selling customers' use of nominees in the transactions. RP 2537-40. Cruz testified, "[the parties to the transaction] understood what their expectation was. And that was to disclose the underlying beneficial owner on that depositor. It could be nominees in there. I really didn't care if they were using a nominee. But I needed to know who the owner is." RP 2540. Because Cruz focused on the beneficial ownership of deposited shares, and not the involvement of nominees acting on behalf

of beneficial owners, Scottsdale did not conduct a specific search for nominees when reviewing the transactions.¹⁴ RP 2537-40.

e. Scottsdale's Process for Approving Deposits of Microcap Securities

Once a Rule 144 Team member assembled the Due Diligence Package for a deposit, the Rule 144 Team member would set up a meeting with Cruz to review the documents in the Due Diligence Package. RP 3032-35. Depending on the complexity of the Due Diligence Package and the deposit, the meeting would take between 15 minutes and one hour. RP 3033-34. Cruz did not review every page or every document in the Due Diligence Package; rather, as Diekmann, Scottsdale's Rule 144 Team manager at the time, testified, "[h]e [Cruz] reads through the [C]hecklist first. Then he'll ask me a series of questions, ask to see certain documents in the file, and he might do [internet] searches or research on his computer while we're sitting there together." RP 3034.

f. Scottsdale's WSPs Related to the Acceptance and Liquidation of Deposits of Microcap Securities

Between December 2013 and June 2014, Scottsdale had two successive sets of WSPs in place to address unregistered microcap liquidations that were based on Rule 144 exemptions. RP 6489-800. Scottsdale's first set of WSPs were dated May 2013 (the "May 2013 WSPs"). RP 6489-648. The May 2013 WSPs remained in effect until Scottsdale issued modified WSPs in May 2014 (the "May 2014 WSPs"). RP 6649-800. The May 2013 WSPs and May 2014 WSPs

¹⁴ A "nominee" is a person or entity that takes possession of securities or other assets for the purpose of making transactions on behalf of the owner of the securities or other assets. <https://www.merriam-webster.com/dictionary/nominee>. A selling customer's use of a nominee conceals the identity of the actual beneficial owner of the deposited shares and muddles the determination of whether the identified beneficial owner is the person with the actual economic interest in the deposited shares.

each specified that “[t]he [CCO] is responsible for the establishment and maintenance [of Scottsdale’s] policies and procedures.” RP 64994, 6654.

The May 2013 WSPs and May 2014 WSPs each included an Appendix A and an Appendix B, which assigned responsibilities by name. RP 6646-47, 6799-800. Appendix A “contains the list of principals, branch locations and branch contacts.”¹⁵ RP 6646, 6799. Appendix B “lists supervisory duties and designated principals.” RP 6647, 6800. Appendix B to the May 2013 WSPs and May 2014 WSPs assigned to DiBlasi, by name, the responsibility to annually establish, maintain, and update Scottsdale’s rules and procedures, including Appendix A and Appendix B. RP 6802, 6812. Appendix B to the May 2013 WSPs and May 2014 WSPs assigned to Cruz, Diekmann, and others operational tasks in conducting Rule 144 due diligence, but it did not assign them responsibility for the WSPs. RP 6802, 6808-09, 6812, 6818-19. That was DiBlasi’s sole responsibility.¹⁶ RP 6802, 6812.

D. Hurry Created, Managed, and Controlled Cayman Securities to Serve as the Offshore Broker-Dealer to Distance Scottsdale from Its Suspicious Microcap Liquidation Business

In early-2013, Hurry created Cayman Securities. RP 3670, 3674-75. Certain regulatory events involving Scottsdale’s employees and customers informed Hurry’s decision to establish

¹⁵ Appendix A to the May 2013 WSPs and May 2014 WSPs is not contained in the record.

¹⁶ The May 2013 also WSPs imposed several responsibilities on the CCO with regard to the sales of unregistered securities. RP 6551-53. The main body of the May 2013 WSPs included a section that addressed Rule 144 transactions. RP 6551-53. That section of the May 2013 WSPs was titled “Rule 144 Restricted and Control Stock Sales.” RP 6551. In that section, the May 2013 WSPs specified that the “CCO is responsible for establishing procedures reasonable[y] designed to ensure [that] the stock certificate is validly issued and owned by the customer; and the resale of such security is made in reasonable reliance on an exemption from the registration requirements, as applicable.” RP 6552. The May 2013 WSPs also noted that the CCO was responsible for “developing and implementing policies and procedures that provide for the review, approval and resale of Rule 144 transactions.” RP 6552.

Cayman Securities as a foreign broker-dealer intermediary tasked with distancing Scottsdale from its risky microcap liquidation business.

1. Scottsdale's Regulatory Landscape Informed Hurry's Creation of Cayman Securities

Between 2011 and 2013, Scottsdale's employees and customers were the subject of four lawsuits that involved the use of nominees to mask the unlawful distribution of microcap securities through the Firm. The Commission initiated each of these lawsuits. The first of these lawsuits occurred in 2011, and it involved two of Scottsdale registered representatives. *SEC v. Ruettiger*, *SEC v. Carrillo Huettel LLP* ("Gibraltar P"), *SEC v. Gibraltar Global Sec., Inc.* ("Gibraltar IP"), and *SEC v. Tavella* are described in the NAC decision. RP 10906-08.

2. Hurry Created Cayman Securities

Prior to 2013, Scottsdale occupied the role that Hurry created Cayman Securities to fill. RP 2530, 3066, 3157, 3491. Scottsdale conducted business directly with foreign financial institutions, such as Montage Securities, Titan Securities, and Unicorn Securities. RP 2530, 3066, 3157, 3491. In the wake of *Ruettiger*, *Gibraltar I*, *Gibraltar II*, and *Tavella*, Hurry formed Cayman Securities in early 2013. RP 3670, 3674-75, 3746. Cayman Securities was a foreign broker-dealer that added an offshore buffer to the existing vertically integrated microcap liquidation enterprise that included Scottsdale and its clearing firm, Alpine Securities.

Hurry testified that he created Cayman Securities because Alpine Securities needed relief from certain tax withholding obligations. RP 3893-902. Hurry explained that Alpine Securities wanted to limit its business dealings to include only those foreign financial institutions that had agreed to take on tax withholding obligations and those ones that had agreed to become qualified intermediaries. RP 3893-94. Hurry testified that he established Cayman Securities because tax-withholding obligations are complicated, there are risks and penalties associated with the

submission of inaccurate or incorrect paperwork related to tax withholdings, and there are tax advantages to generating and retaining funds offshore. RP 3893-902.

3. Hurry Hired Gregory Ruzicka, Ostensibly to Manage Cayman Securities

When Hurry established Cayman Securities, he named himself as Cayman Securities' director and positioned himself to manage and control Cayman Securities and its business operations. RP 6099. For example, the record contains a "Business Summary" used by Cayman Securities for marketing and promotion purposes. RP 6099. The Business Summary provides Hurry's title at Cayman Securities, "Director," and touts Hurry's experience with Scottsdale and Alpine Securities as an asset of Cayman Securities' business operations. RP 6099.

Although Hurry seemed poised to be the public persona of Cayman Securities, in late 2013, Hurry switched gears and decided to hire Gregory Ruzicka to manage Cayman Securities and its day-to-day operations.¹⁷ RP 3098, 6203-06. Prior to joining Cayman Securities, Ruzicka was a real estate attorney in California. RP 4605-06, 4613, 6180-86. He began his legal career advising exclusively on real estate issues and continued in the real estate field. RP 6180-86. He never advised on federal securities laws. RP 6180-86. Ruzicka had no experience with the liquidation of microcap securities, the registration requirements of the federal securities laws, or registration exemptions that may apply. RP 4605-06, 4613, 6180-86, 6188-90. As Diekmann testified, Ruzicka would not have been his choice to run Cayman Securities because Ruzicka lacked securities experience, seemed disorganized, failed to follow instructions, and routinely sent materials to Scottsdale in a piecemeal and disorganized manner. RP 3100, 3104.

¹⁷ Ruzicka did not testify at the hearing. FINRA's Department of Enforcement ("Enforcement") entered Ruzicka's on-the-record testimony in its entirety as an exhibit. RP 3627-46.

In 2002, Ruzicka met Hurry when Hurry hired him to do some work on a commercial real estate deal. RP 6191-93. Thereafter, Ruzicka worked for Hurry from time to time, but none of that work involved securities laws. RP 6193-95. When Ruzicka became unemployed and began experiencing financial hardships, he asked Hurry for a job at a bicycle shop that Hurry owned. RP 3972, 3975-77, 4605-06, 4613, 6185-86, 6204, 6220. In 2013, Hurry proposed that Ruzicka go to the Cayman Islands to run Cayman Securities. RP 3975-77, 6204. Ruzicka testified that Hurry told him that he would be running Cayman Securities and acting as Hurry's attorney. RP 6205. Ruzicka also stated that, when Hurry hired him to run Cayman Securities, Hurry told him that he had 30 days to read about Rule 144 of the Securities Act. RP 6206. Ruzicka reported that he read the Securities Act, Rule 144, and internet-based information on the Rule 144 exemption to prepare for his employment with Cayman Securities. RP 6188, 6228-29.

In October 2013, Hurry flew with Ruzicka in Hurry's private plane to the Cayman Islands, so Ruzicka could begin working at Cayman Securities. RP 6203. Ruzicka remained with Cayman Securities for about one year, until October 2014.¹⁸ RP 6397.

4. Hurry Managed and Controlled Cayman Securities

Hurry's involvement in Cayman Securities' operations did not subside after he hired Ruzicka to manage the foreign broker-dealer's day-to-day operations. For example, Hurry located and rented office space for Cayman Securities before Ruzicka began working there, and he continued supervising the details of establishing and opening the office after Ruzicka arrived.

¹⁸ Hurry hired a second individual, Craig D'Mura, to work with Ruzicka at Cayman Securities. In January 2014, Hurry flew D'Mura in Hurry's private airplane to view Cayman Securities' operations and decide whether he wanted to accept a position with the foreign broker-dealer. RP 4600. Later that month, D'Mura began working at Cayman Securities. RP 4609. D'Mura was employed for only six weeks. RP 4609, 4649-50. Citing "stress" and "high pressure," D'Mura left Cayman Securities in 2014. RP 4649-50.

RP 5941, 5945, 5949, 5953, 5987. Hurry reviewed the proposed Cayman Securities website design and asked about the costs. RP 5943, 5999. Hurry made the final decision on hiring a bookkeeper, and he made all of the financial decisions concerning Cayman Securities, including decisions on entering contracts. RP 6208-10, 6212.

Hurry instructed Ruzicka on fundamental business operations, explaining for example that Ruzicka should open a separate bank account for customer funds to keep their funds separate from Cayman Securities' funds. RP 5997. Hurry decided that Cayman Securities should be located in the Special Economic Zone in the Cayman Islands, and that it should apply to be exempt from regulation by the Cayman Islands Monetary Authority. RP 6213-15. Hurry advised Ruzicka to apply to the IRS to obtain qualified intermediary status for Cayman Securities. RP 6216-19.

Hurry determined the fees and commissions that Cayman Securities' customers paid. RP 6272. When determining Cayman Securities' fee and commission schedule, Hurry instructed Ruzicka to add 200 basis points to the amount that Scottsdale had charged Cayman Securities. Hurry, in turn, obtained a discount from Scottsdale on its charges to Cayman Securities. RP 6275. By adopting this approach, Hurry kept the cost of doing business through Cayman Securities roughly the same as doing business directly with Scottsdale.

Hurry tracked Cayman Securities' business with Scottsdale and its foreign financial institution customers – Montage Securities, Titan Securities, and Unicorn Securities.¹⁹ RP 6239-41. Cayman Securities did not advertise or engage in cold calling to generate business.²⁰ RP

¹⁹ Neither Ruzicka nor D'Mura could terminate a customer relationship. RP 4628-29, 6353-55. That authority rested with Hurry. RP 4628-29, 6353-55.

²⁰ In contrast, Scottsdale advertised for business. RP 2454-56.

4622-23, 6384. Hurry's business plan relied on "contacts and referrals" to develop customers. RP 3734, 5947, 6099. But Ruzicka had no prior securities industry experience and had no network that he could cultivate for customers. RP 6180-86, 6188-90. Consequently, the responsibility for prospecting for customers remained with Hurry. RP 5947. Hurry referred customers to Cayman Securities, or, alternatively, representatives of Scottsdale and Alpine Securities directed customers to the foreign broker-dealer. RP 5947, 6270, 6333-34. Ruzicka testified that he had an "express representation" that Hurry had referred Titan Securities and Unicorn Securities to Cayman Securities. RP 6369-70. Ruzicka stated that he did not know how Montage Securities "found" Cayman Securities. RP 6369-70.

As Ruzicka and D'Mura testified, they only served as intermediaries while they worked at Cayman Securities. Hurry dictated what should be done, and they complied. RP 4628-29, 6212. For example, on one occasion, when Ruzicka protested that he was not comfortable with signing off on Cayman Securities' qualified intermediary application, Hurry responded, "[s]tupid, just do it." RP 6217-18. On another occasion, when Ruzicka asked why Scottsdale's pre-existing business was going to flow through a new entity, Cayman Securities, Ruzicka testified that Hurry told him to "shut up." RP 6244-46. Ruzicka explained that he generally "dropped the subject at that point," because he knew that, if he did not, "there is a ticket back to [Los Angeles] coming tomorrow." RP 6217-19.

5. Hurry Concealed His Management and Control of Cayman Securities

Ruzicka and D'Mura each testified that secrecy was paramount to Hurry. RP 4602, 6202. Ruzicka stated that Hurry "flat told me, 'I'm going to Caymans, because that way I don't have to give anything to anybody.'" RP 6202. D'Mura testified that, when he flew to the Cayman Islands with Hurry to view Cayman Securities' operations, Hurry discussed the Cayman Islands'

privacy laws with him, including the serious consequences, such as “criminal charges,” that could result if the person failed to adhere to the privacy laws.²¹ RP 4602.

To ensure the secrecy of his business dealings with Cayman Securities, Hurry made concerted efforts to conceal his involvement with Cayman Securities, its customers, and its business operations. First, Hurry changed his email address to make it anonymous. RP 6312-13. When Ruzicka started working at Cayman Securities, he used as his work email address gr@csct.ky. RP 6312. The address identified him by his initials, the firm by its initials, and the Cayman Islands location by the last two letters. Ruzicka set up a similar email address for Hurry, using Hurry’s first initial and last name: jhurry@csct.ky. RP 6312-13. Ruzicka testified that Hurry had an extreme reaction to the email address, and that Hurry “just crucified me.” RP 6312-13. In response, Hurry told Ruzicka that the address was too long, and he instructed Ruzicka to change the individual identifier to “x.” RP 6312-13. Between December 2013 and June 2014, Hurry’s email address at Cayman Securities was x@csct.ky.²²

Second, Hurry insisted on asserting attorney-client privilege on almost all communications with Ruzicka. RP 6313-16. Hurry asserted the privilege even when the communications did not include legal advice, such as when Hurry emailed Ruzicka to ask Ruzicka to call him or when Hurry emailed Ruzicka concerning floor plans and office furniture. RP 5941, 5945, 5949, 5953-54, 5955, 5987. In contrast, Ruzicka rarely marked his emails to

²¹ At the hearing, Hurry denied that he had an interest in secrecy. RP 3702-03, 3705. The Hearing Panel found that Hurry’s testimony was not credible. RP 10033.

²² At the hearing, Hurry testified that he wanted an email address that was “short.” RP 3800-01. The Hearing Panel found that Hurry’s explanation was not credible. RP 10033-34. The Hearing Panel noted that Hurry had testified that his “main email address” is jhurry@hurry.com, and they stressed that Ruzicka’s construction of Hurry’s email account at Cayman Securities was the same as Hurry’s main email address. RP 3767, 10033-34.

Hurry as privileged, even though Hurry instructed Ruzicka that he should do so.²³ RP 5951, 5999.

Third, Ruzicka and D'Mura testified that Hurry did not want a written record of his involvement with Cayman Securities' business. RP 4643, 6236. By way of example, Ruzicka recounted a specific instance when he emailed Diekmann to inform Diekmann that Hurry had directed him to take a particular deposit, specified with the trading symbol, SVLE. RP 6321-27. Diekmann forwarded the email to Hurry and DiBlasi, and Ruzicka testified that, when Hurry saw the email, he "tore" into Ruzicka "like you wouldn't believe." RP 6324, 6325. Ruzicka recalled that Hurry told him to "[n]ever put in writing that I am directly involved in business decisions." RP 6327.

Finally, Hurry communicated with Cayman Securities' customers, including Montage Securities, Titan Securities, and Unicorn Securities, by calling Ruzicka at Cayman Securities using FaceTime and asking Ruzicka to call a customer on Cayman Securities' landline telephone. RP 6283-93. Hurry's use of FaceTime in this manner allowed him to conceal his contacts with Cayman Securities' customers because, to the extent there was any record of the telephone call, it would appear that Cayman Securities alone called the customer.²⁴

²³ At the hearing, Hurry testified that he marked his emails privileged because Ruzicka advised him to use the privilege designation. RP 3720-21, 3792-96, 3826. The Hearing Panel found that Hurry's testimony was not credible. RP 10034.

²⁴ At the hearing, Hurry explained that he used FaceTime because it was free, and he found it difficult to do a conference call using his cellular phone. RP 3881-83. The Hearing Panel did not find Hurry's explanation credible. RP 10036.

III. PROCEDURAL BACKGROUND

In May 2015, Enforcement filed a three-count complaint against Scottsdale, Hurry, DiBlasi, and Cruz. RP 1-56. After a 12-day hearing, the Hearing Panel issued an amended decision in June 2017. RP 9995-10109. The Hearing Panel found that Scottsdale, Hurry, DiBlasi, and Cruz had engaged in the violations as alleged in the complaint. RP 10077-98. The Hearing Panel fined Scottsdale \$1.5 million, barred Hurry in all capacities, suspended DiBlasi and Cruz in all capacities for two years, and ordered that DiBlasi and Cruz each pay a fine of \$50,000. RP 10098-108.

On appeal, the NAC affirmed the Hearing Panel's findings of liability against Scottsdale, DiBlasi, and Cruz, and it affirmed, in relevant part, the Hearing Panel's findings against Hurry. RP 10823-934. As it related to Hurry, the NAC specifically found that Hurry "engaged in unethical conduct[, in violation of FINRA Rule 2010,] through his creation, management, and control of Cayman Securities as an entity to insulate Scottsdale [] from regulatory scrutiny" RP 10905-913, 10934.

For sanctions, the NAC fined Scottsdale \$1.25 million for its unregistered and nonexempt microcap securities sales, imposed an additional \$250,000 fine on the Firm as an aggregate sanction for its supervisory violations, and ordered the Firm to engage an independent consultant to monitor the Firm's acceptance and liquidation of microcap securities deposits and review the Firm's supervisory procedures related to its microcap securities liquidation business. RP 10924-31. The NAC also barred Hurry in all capacities, suspended DiBlasi in all capacities for two years and fined him \$50,000, and suspended Cruz in all capacities for two years and fined him \$50,000. RP 10931-33.

IV. ARGUMENT

The record, which contains the hearing testimony of 10 witnesses, including Hurry, DiBlasi, and Cruz, Ruzicka's on-the-record testimony, and a wealth of corroborating documentary evidence, conclusively supports that Scottsdale sold unregistered and nonexempt microcap securities in contravention of Section 5 of the Securities Act; that Hurry acted unethically when he created, managed, and controlled Cayman Securities to insulate Scottsdale from its risky microcap securities liquidation business; and that Scottsdale, DiBlasi, and Cruz abdicated their supervisory responsibilities as it relates to Scottsdale's microcap securities liquidation business. The NAC's findings of liability are sound, and the sanctions that the NAC imposed on Scottsdale, Hurry, DiBlasi, and Cruz are appropriately remedial and neither excessive nor oppressive. Consequently, the Commission should dismiss the Applicants' application for review.

A. The Standard of Review

The Commission must dismiss the Applicants' application for review if it finds that the Applicants engaged in conduct that violated FINRA's rules; that FINRA applied its rules in a manner consistent with the purposes of the Securities Exchange Act of 1934 ("Exchange Act"); and that FINRA imposed sanctions that are neither excessive nor oppressive and that do not impose an unnecessary or inappropriate burden on competition. 15 U.S.C. § 78s(e) (2018).

B. FINRA Has Authority to Impose Liability on Firms and Registered Representatives That Act Unethically and That Act in Contravention of the Securities Act

The Applicants argue that FINRA's disciplinary authority with respect to the federal securities laws is limited to violations of the Exchange Act. Hurry Br. at 25-31; Cruz Br. at 38-40. The Applicants also assert that the Exchange Act empowers only the Commission to

discipline FINRA member firms and registered representatives for violations of the Securities Act, including Section 5 of the Securities Act. Hurry Br. at 25-31; Cruz Br. at 38-40. Finally, the Applicants claim that FINRA Rule 2010 is limited, and that FINRA cannot rely on the rule to discipline Hurry's unethical conduct or Scottsdale's unregistered securities sales. Hurry Br. at 25-31; Cruz Br. at 38-40. The Applicants' arguments are meritless and ignore the Commission's precedent regarding the reach of FINRA Rule 2010.

1. The Exchange Act Provides FINRA with a Broad Grant of Authority to Discipline Its Firms and Registered Representatives for a Variety of Misconduct, Including Hurry's Unethical Conduct and Scottsdale's Unregistered Securities Sales

Under Section 15A(b)(3) of the Exchange Act, FINRA is organized "to enforce compliance by its members and persons associated with its members with . . . the rules of the association." 15 U.S.C. § 78o-3(b)(2). Section 15A(b)(6) requires that the rules of the association be designed to "promote just and equitable principles of trade" and "protect investors and the public interest." 15 U.S.C. § 78o-3(b)(6). In accordance with the mandates of the Exchange Act, FINRA enacted FINRA Rule 2010 to apply to an array of unethical conduct. In this case, the NAC determined that Hurry's creation, management, and control of Cayman Securities, and Scottsdale's unregistered securities sales, constituted unethical conduct that violated FINRA Rule 2010. RP 10888-905, 10913-14. The Commission should affirm these findings.

a. FINRA Rule 2010 Applies to an Array of Unethical Conduct, Including Hurry's Creation, Management, and Control of Cayman Securities

FINRA Rule 2010 provides that "[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade." *See Timothy L.*

Burkes, 51 S.E.C. 356, 360 n.21 (1993) (noting that the predecessor rule to FINRA Rule 2010 “is not limited to rules of legal conduct but rather that it states a broad ethical principle”), *aff’d*, 29 F.3d 630 (9th Cir. 1994).

As a broad ethical principle, FINRA Rule 2010 “sets forth a standard intended to encompass a wide variety of conduct that may operate as an injustice to investors or other participants in the marketplace” (*Daniel Joseph Alderman*, 52 S.E.C. 366, 369 (1995), *aff’d*, 104 F.3d 285 (9th Cir. 1997)), and was “designed to enable [FINRA] to regulate the ethical standards of its members.” *Blair Alexander West*, Exchange Act Release No. 74030, 2015 SEC LEXIS 102, at *19 (Jan. 9, 2015).

Indeed, violations of FINRA Rule 2010 have been sustained where there is no specific violation of any FINRA rule, but where there has been unethical conduct. *See Dep’t of Enforcement v. Grivas*, Complaint No. 2012032997201, 2015 FINRA Discip. LEXIS 16 at *22-25 (FINRA NAC July 16, 2015) (collecting cases), *aff’d*, Exchange Act Release No. 77470, 2016 SEC LEXIS 1173, at *1 (Mar. 29, 2016). By design, FINRA Rule 2010 reaches business-related conduct that is unethical. Hurry’s unethical creation, management, and control of Cayman Securities as the entity designed to insulate Scottsdale from its risky offshore microcap securities liquidation business falls squarely within the reach of FINRA Rule 2010.

b. FINRA Rule 2010 Applies to Scottsdale’s Unregistered Securities Sales

It is also axiomatic that investor protection and market integrity require that securities industry participants abide by applicable securities laws, rules, and regulations, and that violating those laws and rules is unethical conduct that is inconsistent with just and equitable principles of trade. Accordingly, the Commission has consistently held that a violation of Section 5 of the Securities Act also constitutes a violation of FINRA Rule 2010. *See ACAP Fin., Inc.*, Exchange

Act Release No. 70046, 2013 SEC LEXIS 2156, at *27 (July 26, 2013) (“ACAP conceded that it engaged in unregistered sales of Greyfield securities in violation of Securities Act Section 5 and, in so doing, violated NASD Conduct Rule 2110. We find that the record amply supports ACAP’s concessions and accordingly affirm FINRA’s finding of violation.”), *aff’d*, 783 F.3d 763 (10th Cir. 2015); *Midas Sec., LLC*, Exchange Act Release No. 66200, 2012 SEC LEXIS 199, at *46 n.63 (Jan. 20, 2012); *Alvin W. Gebhart, Jr.*, Exchange Act Release No. 53136, 2006 SEC LEXIS 1133 at *54 n.75 (Jan. 18, 2006), *aff’d in rel. part*, 255 F. App’x 254 (9th Cir. 2007).

In light of these Commission precedents, Hurry’s argument that FINRA was required to file a rule change under Exchange Act Rule 19b-4 is misplaced. Hurry Br. at 30. The NAC applied the law to its factual findings to conclude that Hurry violated FINRA Rule 2010, and that Scottsdale violated Section 5 of the Securities Act and FINRA Rule 2010. The NAC’s conclusions did not establish any new standard of conduct that requires the filing of a proposed rule change.²⁵ *See Stratton Oakmont, Inc.*, 52 S.E.C. 1170, 1174-75 (1997) (finding that FINRA’s application of its just and equitable principles of trade rule did not establish a new standard of conduct); *SIG Specialists, Inc.*, 58 S.E.C. 519, 530 n.26 (2005) (“[W]e do not view this case as involving the kind of ‘new standard of conduct’ that would implicate the Exchange Act’s rule change requirements”).

In addition, the Commission expressly stated that “[a] violation of Securities Act Section 5 also violates [the predecessor to FINRA Rule 2010],” and federal appellate courts have

²⁵ Moreover, FINRA Rule 2010 was subject to the Commission’s rulemaking process, and the Commission has approved FINRA Rule 2010. *See Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; . . . Order Approving Proposed Rule Change to Adopt FINRA Rule 2010 (Standards of Commercial Honor and Principles of Trade) et al.*, Exchange Act Release No. 58643, 2008 SEC LEXIS 2279 at *1 (Sept. 25, 2008).

affirmed the imposition of sanctions in such cases. *See Scottsdale Capital Advisors Corp. v. FINRA*, 844 F.3d 414, 417 (2016) (dismissing Scottsdale’s claim that FINRA’s disciplinary proceeding was unauthorized because FINRA may only discipline members for violations of the Exchange Act); *Midas Sec.*, 2012 SEC LEXIS 199, at *46 n.63; *see World Trade Fin. Corp. v. SEC*, 739 F.3d 1243 (9th Cir. 2014); *Kunz v. SEC*, 64 F. App’x 659 (10th Cir. 2003); *Sorrell v. SEC*, 679 F.2d 1323 (9th Cir. 1982).

The very purpose of the Section 5 registration requirements is to “protect investors by promoting full disclosure of information thought necessary to informed investment decisions.” *SEC v. Ralston Purina Co.*, 346 U.S. 119, 124 (1953). Consequently, FINRA’s enforcement of Section 5 of the Securities Act through FINRA Rule 2010 is consistent with its regulation of the ethical standards of its members and their associated persons, and thereby promotes just and equitable principles of trade. In this instance, FINRA appropriately exercised its regulatory authority, promoted just and equitable principles of trade, and properly disciplined Scottsdale for its unregistered securities sales.

Hurry argues that Section 19(h)(3) of the Exchange Act authorizes the SEC, and not FINRA, to impose sanctions for violations of the Securities Act. *Hurry Br.* at 26-28. This argument misses the mark. When Congress amended the Exchange Act in 1975 and granted the Commission additional powers over SROs, it did not amend the registration standards for national securities associations under Section 15A and remove FINRA’s ability to address Securities Act violations.

Section 15A of the Exchange Act, known as the Maloney Act amendments, provided for the voluntary registration of associations of securities dealers and sought to eliminate abuses in the over-the-counter market. *See S. Rep. No. 75-1455* (1938); *H.R. Rep. No. 75-2307* (1938).

Thirty-seven years later, Congress passed the Securities Acts Amendments of 1975 (“1975 Amendments”). *See* Pub L. No. 94-29, 89 Stat. 168 (1975). The 1975 Amendments added requirements (primarily for stock exchanges) that SROs file proposed rule changes with and receive Commission approval for the rule change to take effect. *See Credit Suisse First Boston v. Grunwald*, 400 F.3d 1119, 1130-31 (9th Cir. 2005). The 1975 Amendments also added Section 19(h)(1), which authorizes the Commission to bring an action to suspend or revoke an SRO’s registration for certain violations and – in Sections 19(h)(2) and (3) – the authority for the Commission to bring an action and impose sanctions itself, including when an SRO has failed to enforce compliance with the SRO’s rules. Hurry’s argument that some of the phrases in Section 19(h) should be read to restrict what Section 15A means is illogical and contrary to proper statutory interpretation. As the Supreme Court has explained, when Congress amends a statute and intends to change the meaning of an earlier-adopted section of the statute, it must “provide[] a relatively clear indication of its intent in the text of the amended provision.” *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1520 (2017) (citing *U.S. v. Madigan*, 300 U.S. 500, 506 (1937)).

The 1975 Amendments and their addition of Section 19(h) made *no* indication that the scope of FINRA’s jurisdiction under Section 15A was being reduced. FINRA’s long-standing authority to address violations of the Securities Act remained unchanged. Moreover, the logical reading of Section 19(h) is that when Congress authorized the Commission to act to address misconduct when an SRO failed to do so, it gave the Commission the same sweep of jurisdiction that the SRO’s possessed. This allowed the Commission to step in when necessary to protect the public interest.

C. Scottsdale Sold Unregistered and Nonexempt Microcap Securities, in Violation of FINRA Rule 2010

The record proves that Scottsdale sold unregistered and nonexempt microcap securities in contravention of Section 5 of the Securities Act. Based on that finding, the NAC properly determined that Scottsdale violated FINRA Rule 2010. The Commission should affirm these findings.

1. Scottsdale Violated FINRA Rule 2010 Because the Firm Acted in Contravention of Section 5 of the Securities Act

The NAC found that Scottsdale violated FINRA Rule 2010 because the Firm sold unregistered and nonexempt microcap securities in contravention of Section 5 of the Securities Act. RP 10888-905. Such activity violates FINRA Rule 2010. *See Midas Sec.*, 2012 SEC LEXIS 199, at *46 n.63.

Section 5 of the Securities Act prohibits the sale of securities in interstate commerce unless a registration statement is in effect as to the offer and sale of the securities, or there is an applicable exemption from the registration requirement. 15 U.S.C. § 77e(a), (c) (2014); *see Midas Sec.*, 2012 SEC LEXIS 199, at *25-26. The purpose of these registration requirements is to “protect investors by promoting full disclosure of information thought necessary to informed investment decisions.” *Midas Sec.*, 2012 SEC LEXIS 199, at *26.

To establish a prima facie case of a violation of Section 5 of the Securities Act, Enforcement had to show that: (1) no registration statement was in effect as to the securities; (2) Scottsdale sold or offered to sell the securities; and (3) Scottsdale sold or offered to sell the securities using interstate facilities or mails. *See id.* at *27.

Scottsdale does not dispute that no registration statement was in effect for the 74 million microcap shares at issue, that Scottsdale sold the 74 million microcap shares, and that Scottsdale

sold the shares using interstate means. Enforcement therefore established a prima facie case of a violation of Section 5 of the Securities Act. The Commission should reach the same conclusion.

2. Scottsdale Had the Burden of Proving the Applicability of Its Claimed Exemptions – Rule 144 and Section 4(a)(4) of the Securities Act

Because Enforcement made its prima facie case for a Section 5 violation, the burden shifts to Scottsdale to show that the transactions were exempt from the Securities Act's registration requirements. *See Robert G. Weeks*, 56 S.E.C. 1297, 1322 (2003) (establishing that the burden of proving an exemption from registration is on the claimant of the exemption); *Robert G. Leigh*, 50 S.E.C. 189, 192 (1990) (stating that “[i]t is well settled that the burden of establishing the availability of [a Section 5] exemption rests on the person claiming it”).

Registration exemptions “are construed strictly to promote full disclosure of information for the protection of the investing public.” *Midas Sec.*, 2012 SEC LEXIS 199, at *28-29. “A broker, as an agent for its customers, ha[s] a responsibility to be aware of the requirements necessary to establish an exemption from the registration requirements of the Securities Act and should be reasonably certain such an exemption is available.” *Id.* at *33. Scottsdale claims that Rule 144 and Section 4(a)(4) of the Securities Act exempt their microcap securities liquidations from the registration requirements of the Securities Act. Scottsdale has not come close to meeting its burden of establishing the applicability of either exemption.

3. Scottsdale Cannot Claim Exemptions Under Rule 144 and Section 4(a)(4) of the Securities Act for Any of the Five Deposits

Scottsdale argues that the NAC conflated the requirements of Rule 144 and Section 4(a)(4) of the Securities Act and improperly shifted the burden of proof to the Firm. Cruz Br. at 25-27. Scottsdale misunderstands Rule 144, Section 4(a)(4) of the Securities Act, and the

interplay between the two exemptions, a particularly troubling supposition given that Scottsdale relies heavily on the exemptions in its predominant business operation – the liquidation of microcap securities. RP 4265.

a. Rule 144 and Section 4(a)(4) Can Operate in Concert

Rule 144 permits the public resale of restricted securities and control securities subject to the satisfaction of five specific conditions: (1) the securities’ “holding period” (Rule 144(d)); (2) current public information about the issuer of the securities (Rule 144(c)); (3) limitations on the amount of the securities sold, or, the securities’ “trading volume formula” (Rule 144(e)); (4) manner of the securities’ sales, i.e., the transactions must be “ordinary brokerage transactions” that are unsolicited, sold directly to market makers, or sold in “riskless principal transactions” (Rule 144(f)); and (5) notice of the sales of the securities via the Commission’s Form 144 (Notice of Proposed Sale of Securities Pursuant to Rule 144 Under the Securities Act of 1933) (Rule 144(h)). 17 C.F.R. § 230.144(c)-(f), (h) (2013); *see also Rule 144: Selling Restricted and Control Securities* (Jan. 16, 2013), <https://www.sec.gov/reportspubs/investor-publications/investorpubsrule144htm.html> (last visited November 13, 2018).²⁶ In addition, the protections of Rule 144 do not extend to “shell companies,” or issuers “with no or nominal operations and no or nominal non-cash assets.” 17 C.F.R. § 230.144(i) (2013).

²⁶ “Restricted securities” include “[s]ecurities acquired directly or indirectly from the issuer, or from an affiliate of the issuer, in a transaction or chain of transactions not involving any public offering.” 17 C.F.R. § 230.144(a)(3) (2013) (definitions). “Control securities” are securities “held by an affiliate of the issuing company.” *Rule 144: Selling Restricted and Control Securities*, <https://www.sec.gov/reportspubs/investor-publications/investorpubsrule144htm.html> (last visited November 13, 2018). Scottsdale does not dispute that the 74 million shares that it sold in this case were restricted securities.

Section 4(a)(4) of the Securities Act is commonly referred to as the “brokers’ exemption.” *Midas Sec.*, 2012 SEC LEXIS 199, at *30. The exemption applies to “brokers’ transactions executed upon customers’ orders on any exchange or in the over-the-counter market[,] but not the solicitation of such orders.” 15 U.S.C. § 77d(a)(4) (2014).

Section 4(a)(4) can operate in concert with Rule 144. When read together, Rule 144 and Section (4)(a)(4) permit a broker-dealer who participates in the resale of restricted securities to claim an exemption under Section 4(a)(4), but only if the broker-dealer does not become an “underwriter” in the transactional process, as defined in Rule 144 and Section 2(a)(11) of the Securities Act. J. William Hicks, *Resales of Restricted Securities* at §§ 4:8 (Broker’s Duties – General), 4:10 (Rule in Context: Sections 4(a)(1) and 4(a)(4)) (2017 ed. (March 2017 Update)).

The seller’s status as an affiliate or nonaffiliate of the issuer is crucial to the applicability of exemptions under Rule 144 or Section 4(a)(4) of the Securities Act. Specifically, Rule 144(f) states that affiliate-sellers of restricted securities who intend to rely on Rule 144 must resell their restricted securities in “[b]rokers’ transactions within the meaning of [S]ection (4)[(a)](4) of the [Securities] Act.” 17 C.F.R. § 230.144(f)(1)(i) (2013).

The counter-part of Rule 144(f), which focuses on the manner that affiliate-sellers of restricted securities resell the securities, is Rule 144(g). Hicks, *Resales of Restricted Securities* at § 4:8. Rule 144(g) defines the term “brokers’ transactions,” and, in doing so, sets forth the obligations of a broker-dealer that seeks an exemption pursuant to Section 4(a)(4). *See id.* Rule 144(g) establishes four requirements, the key one being that “[a]fter reasonable inquiry[, a broker-dealer] is not aware of circumstances indicating that the person for whose account the securities are sold is an underwriter with respect to the securities or that the transaction is a part of a distribution of securities of the issuer.” 17 C.F.R. § 230.144(g)(4) (2013); *see* Hicks, *Resales of Restricted Securities* at § 4:8.

b. Rule 144 and Section 4(a)(4) Require a Searching Inquiry

Rule 144(g)(4) requires a searching inquiry into the circumstances surrounding the resale of restricted securities. 17 C.F.R. § 230.144(g)(4) (2013). Section 4(a)(4) requires the same. Specifically, Section 4(a)(4) of the Securities Act “is not available if the broker[-dealer] knows or has reasonable grounds to believe that the selling customer’s part of the transaction is not exempt from Section 5 of the Securities Act.” *Midas Sec.*, 2012 SEC LEXIS 199, at *30; see 17 C.F.R. § 230.144(g)(4) (stating that the term “brokers’ transactions” in Section 4(a)(4) would not be deemed to include, for purposes of Rule 144, transactions in which the broker does not conduct a searching inquiry). Accordingly, in order to satisfy the searching inquiry requirements of Rule 144(g)(4) and Section 4(a)(4), a broker-dealer has a “duty of inquiry” that requires an examination of the facts surrounding a proposed resale of restricted securities. *Midas Sec.*, 2012 SEC LEXIS 199, at *30.

The amount of inquiry required necessarily varies with the circumstances of the proposed transaction. *See id.* at *31. For example,

‘[A] dealer who is offered a modest amount of a widely traded security by a responsible customer, whose lack of relationship to the issuer is well known to him, may ordinarily proceed with considerable confidence. On the other hand, when a dealer is offered a substantial block of a little-known security . . . where the surrounding circumstances raise a question as to whether or not the ostensible sellers may be merely intermediaries for controlling persons or statutory underwriters, then searching inquiry is called for.’

Id. at *31-32 n.42 (quoting *Distribution by Broker-Dealers of Unregistered Securities*, Exchange Act Release No. 6721, 1962 SEC LEXIS 74, at *4 (Feb. 2, 1962)).

A broker-dealer’s duty to conduct a searching inquiry becomes “particularly acute where substantial amounts of a previously little known security appear in the trading markets within a fairly short period of time and without the benefit of registration under the Securities Act of

1933.” *Distribution by Broker-Dealers of Unregistered Securities*, 1962 SEC LEXIS 74, at *4. Under these circumstances, “it must be assumed that these securities emanate from the issuer or from persons controlling the issuer,” and the broker-dealer “must take whatever steps are necessary to be sure that this is a transaction not involving an issuer, person in a control relationship with an issuer or an underwriter.” *Id.* at **3, 4. “It is not sufficient for [the broker-dealer] merely to accept self-serving statements of [its] sellers and their counsel without reasonably exploring the possibility of contrary facts.” *Id.* at *3. Scottsdale failed to satisfy its duty to conduct a searching inquiry.

c. Scottsdale Did Not Conduct a Searching Inquiry into the Unregistered Microcap Securities Deposits

Before the Commission, Scottsdale argues that Cruz analyzed information from multiple sources, and that the Firm “carried its burden of proof as to the objective criteria of Rule 144 and that, even if Rule 144 was technically unavailable, [Scottsdale’s] reasonable diligence qualified the sales for the Section 4(a)(4) broker’s exemption.”²⁷ Cruz Br. at 24-25, 27-38. The documentary evidence in the record, specifically, the Due Diligence Packages that Scottsdale proffered in this case,²⁸ belies Scottsdale’s claims of reasonable diligence, proves that Scottsdale

²⁷ For purposes of liability, the conduct of the registered representatives and associated persons who accepted and liquidated the five deposits is imputed to Scottsdale. *See CE Carlson, Inc. v. SEC*, 859 F.2d 1429, 1435 (10th Cir. 1988) (“[The broker-dealer] is responsible for the actions of its agents, including [its ‘registered broker and president’].”); *Midas Sec.*, 2012 SEC LEXIS 199, at *28 n.35 (explaining that the misconduct of the firm’s registered representatives was imputed to the firm). The Commission should affirm this finding.

²⁸ Scottsdale claims that the Firm may have conducted additional due diligence that may not be documented in the Due Diligence Packages contained in the record. *See, e.g.*, Cruz Br. at 33 (“It is inexcusable that the NAC wants to pretend as if that information does not exist simply because [Scottsdale] did not print a copy VPLM’s press release announcing [] Kipping’s resignation and put it in the due diligence file.”). But Scottsdale produced the Due Diligence Packages in support of its defense, and, accordingly, it was incumbent on the Firm to ensure that

[Footnote continued on next page]

did not meet its duty to conduct a searching inquiry under Rule 144 and Section 4(a)(4) of the Securities Act, and establishes that Scottsdale did not satisfy its burden of proof for the numerical aspects of Rule 144.²⁹

(1) Scottsdale’s Due Diligence Was Cursory and Incomplete

As an initial matter, Scottsdale failed to conduct a searching inquiry into the five subject deposits because the Firm’s due diligence was cursory and incomplete in light of suspicious circumstances surrounding the deposits and the transactions underlying the deposits. The Commission should affirm the NAC’s findings.

(a) The Three Suspicious NHPI Deposits

In the case of the three NHPI deposits,³⁰ the transactional documents in the Due Diligence Packages for the deposits raised a number of concerns that required Scottsdale’s further inquiry. RP 8411-637. For example, there was no evidence of a bona fide business

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it provided the supporting evidence needed to corroborate its representations about the due diligence that it conducted. *See Ernst & Young LLP*, Initial Decisions Release No. 249, 2004 SEC LEXIS 831, at *118 (Apr. 16, 2004) (explaining that the applicant “bears the burden of proof as to the applicability of the exception to its situation because a party asserting an affirmative defense has the burden of establishing it by the necessary proof”). The Commission should focus on the documentary evidence *actually* contained in the record and ignore Scottsdale’s self-serving and unsubstantiated representations about other due diligence steps that it may have taken.

²⁹ Only three of the numerical aspects of Rule 144 are at issue in this case: (1) the beneficial owner’s status as an affiliate or nonaffiliate of the issuers (NHPI, VPLM, and ORFG); (2) the calculation of the holding period for the resale of restricted securities under Rule 144; and (3) NHPI’s, VPLM’s, and ORFG’s status as a shell or non-shell company.

³⁰ Each of the three NHPI deposits initiated with a \$10,000 promissory note from NHPI as debtor to an individual named Thomas Collins as noteholder (the “Collins/NHPI Promissory Note”). RP 8516, 8593. The Due Diligence Package for the NHPI deposit for Swiss National Securities does not contain of the Collins/NHPI Promissory Note.

transaction outside of the Collins/NHPI Promissory Note. RP 8516, 8593. The Collins/NHPI Promissory Note provided for the payment of principal and interest from NHPI to Thomas Collins without specifying an interest rate. RP 8516, 8593. The Collins/NHPI Promissory Note contained no provision to explain where and how payments between Thomas Collins and NHPI should be made. RP 8516, 8593. Thomas Collins did not seek to convert the Collins/NHPI Promissory Note until nearly a year and a half after NHPI defaulted, and there is no evidence that Thomas Collins sought payment from NHPI in the interim. RP 8436-38, 8517-19, 8594-96.

The beneficial owners of the NHPI shares deposited at Scottsdale – Patrick Gentle (Sky Walker), Talal Fouani (Swiss National Securities), and Jeff Cox (Ireland Offshore Securities) – were purportedly unrelated, but maintained the same or similar business addresses and acquired their shares of NHPI from Thomas Collins through identical transactional documents with identical terms. RP 5869-71, 8421-22, 8442-43, 8498-99, 8522-27, 8579-80, 8600-05. Even odder, Thomas Collins conveyed his ownership interest in NHPI to Sky Walker, Swiss National Securities, and Ireland Offshore Securities before he actually owned the NHPI shares. RP 8436-38, 8443, 8517-19, 8523-27, 8594-96, 8601-05.

There also is no evidence that any money changed hands in any of these transactions. If the documents underlying the NHPI deposits are accurate, the following transactions occurred: (1) Thomas Collins received the \$10,000 Collins/NHPI Promissory Note for unspecified consulting services (RP 8516, 8593); (2) Thomas Collins accepted shares of NHPI in exchange for extinguishing the debt that NHPI owed to him (RP 8436-38, 8517-19, 8594-96); and (3) Thomas Collins borrowed \$50,000 from Sky Walker, \$50,000 from Swiss National Securities, and \$50,000 from Ireland Offshore Securities (RP 8442, 8522, 8600). Nothing in the documents explains how, when, or where Thomas Collins would receive the money. RP 8442, 8522, 8600.

Thomas Collins merely entered into the SSI/Collins Promissory Note with Sky Walker, Swiss National Securities, and Ireland Offshore Securities, pledging to give them stock if he defaulted. RP 8442-43, 8522-27, 8600-05. And then Thomas Collins defaulted.

Finally, certain events involving the issuer of the shares for each of the three deposits, NHPI, should have raised Scottsdale's suspicions and caused the Firm to conduct a more thorough inquiry into the deposits. NHPI had recently switched its business model from a core focus on pharmaceuticals to an emphasis on oil and gas exploration, and NHPI had ceased to be a reporting company in August 2009,³¹ and it did not publish any financial statements or reports until November 2013, around the time that the transactions involving Thomas Collins, Sky Walker, Swiss National Securities, and Ireland Offshore Securities occurred. *See* NHPI Amended Form 10-K, for the annual period ending on December 31, 2008, filed on April 30, 2009 (<https://www.sec.gov/edgar/searchedgar/companysearch.html>).

(b) The Questionable VPLM Deposit

For the VPLM deposit, the issuer's own representations concerning its issuance of shares for services, and the Due Diligence Package's references to the involvement of VPLM's former president, Richard Kipping, in the transactions, should have led Scottsdale to conduct a searching inquiry into the transactions underlying the deposit.³² For example, documents in the Due

³¹ FINRA took official notice of NHPI's, VPLM's, and ORFG's periodic filings from the Commission's EDGAR system and the issuers' disclosures, filings, and financials, as published on the OTC Markets website (<https://www.otcmarkets.com/home>). RP 10847-48. *See* FINRA Rule 9145(b). In November 2013, in order to satisfy the "adequate current public information" requirement for nonreporting companies under Rule 144, NHPI published retroactive financial statements and reports for periods dating back to 2012. *See* <https://www.otcmarkets.com/stock/NHPI/disclosure>.

³² The VPLM deposit initiated with a verbal line of credit between Locksmith Financial Corporation ("Locksmith Financial") as lender and VPLM as borrower (the "Locksmith

[Footnote continued on next page]

Diligence Package for the VPLM deposit disclose that VPLM had issued more than 80 million shares of stock to Richard Kipping and Locksmith Financial, which represented an amount greater than 10 percent of the issuer's then-current outstanding shares. RP 8639-40, 8678.

A VPLM Annual Report also reflects that VPLM had issued millions of shares to company insiders and had a regular practice of paying for services with stock. *See* VPLM Annual Report, for the annual period ending on September 30, 2013, published on November 6, 2013 (<https://www.otcm Markets.com/stock/VPLM/disclosure>). The VPLM Annual Report also showed that VPLM had issued more than 2.4 million shares to VHB International, and VHB International obtained those shares nine months before VHB International deposited its VPLM shares at Scottsdale for liquidation. *See id.* Finally, the Due Diligence Package for the VPLM deposit identified several additional areas of concern that should have prompted Scottsdale's further inquiry:

- The first transaction underlying the deposit was a verbal line of credit (the Locksmith Financial/VPLM Verbal Line of Credit). RP 8639-40, 8661-62, 8664-65.
- VHB International acquired its VPLM shares directly from VPLM's former president, Richard Kipping, by way of Richard Kipping's corporate entity, Locksmith Financial. RP 8657-59.
- VHB International realized more than a 2,000 percent profit margin on the transaction in just under six months. RP 7915, 8671-75.
- Locksmith Financial retained the law firm that prepared the attorney opinion letter for Scottsdale's Due Diligence Package for the deposit. RP 8657-59.

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Financial/VPLM Verbal Line of Credit"). RP 8639-40, 8661-62, 8664-65. Locksmith Financial's president is Richard Kipping. RP 8657-59, 8675. Richard Kipping is the former CEO of VPLM. RP 8657-59.

(c) The Dubious ORFG Deposit

The ORFG deposit should have raised similar concerns for Scottsdale. As an initial matter, it is unclear why an individual, Casey Forward, would loan \$600,000 to ORFG.³³ RP 8962-67. ORFG reported no revenue, no cash, liabilities in excess of \$1.9 million, and a deficit in excess of \$1.8 million. *See* ORFG Annual Report, for the annual period ending on May 31, 2014, filed on March 25, 2016 (<https://www.sec.gov/edgar/searchedgar/companysearch.html>). Second, if Casey Forward had converted the entire \$600,000 Forward/ORFG Convertible Promissory Note to shares of ORFG at the specified conversion price (\$0.0025), he would have owned 240 million shares of ORFG, or 92 percent, of ORFG's then-current outstanding shares (261.4 million). RP 8987, 8997. Third, Anything Media, Inc. ("Anything Media"), the entity to which Casey Forward assigned a portion of his ORFG-owed debt, obtained 15 million shares of ORFG at a cost of \$9,000 in April 2014 and sold the shares to Media Central *that same month* for \$75,000, realizing an instantaneous return of 733 percent. RP 8981-85. Finally, Scottsdale should have been wary of the beneficial owner of the deposited ORFG shares, Geovanni Moh (Media Central), because Moh and Media Central provided the same business address as the beneficial owners and entities of other unregistered securities deposits, such as the beneficial owners of the three NHPI deposits (Patrick Gentle (Sky Walker), Talal Fouani (Swiss National Securities), and Jeff Cox (Ireland Offshore Securities)), and Media Central had the same name as a Florida-based company that was promoting ORFG on two websites at the same time that

³³ The ORFG deposit initiated with a \$600,000 convertible promissory note between Casey Forward, as noteholder, and ORFG, as borrower (the "Forward/ORFG Convertible Promissory Note"). RP 8962-67.

Scottsdale was selling shares of the issuer on behalf of Media Central and its beneficial owner, Geovanni Moh.³⁴ RP 5869-71, 8997-9020.

The coincidence of beneficial owners among deposits (RP 5869-71), the coincidence of similar addresses among beneficial owners (RP 5869-71),³⁵ the near-contemporaneous execution of several of the transactions underlying the deposits,³⁶ and, in the case of the NHPI and ORFG

³⁴ On May 27, 2014, amid a flurry of ORFG promotional activity, Scottsdale “discovered” that a Florida-based entity named Media Central Corp. (“FMCC”) owned and operated two websites that had promoted ORFG. RP 8997-9020. Scottsdale made the discovery when it conducted its web-based internet searches, inputting the search terms “media central corp + penny stock” and “Media Central Corp + penny stock website.” RP 9002-20. Scottsdale, in conjunction with the intermediaries for the ORFG deposit, Cayman Securities and Unicorn Securities, conducted additional due diligence to determine whether the Belize-based Media Central that had proposed to deposit shares of ORFG at Scottsdale had any connection to the FMCC that had promoted ORFG on the internet. RP 8997-9001.

The additional due diligence that Scottsdale, Cayman Securities, and Unicorn Securities conducted consisted of the following activities: (1) Unicorn Securities retained an attorney, David Wise, to examine the matter (RP 8997-9001); (2) David Wise (or another individual) obtained, or Media Central submitted, an undated document entitled, “Memorandum of Association and Articles of Association of Media Central, a company organized under the laws of Belize, Central America” (RP 8941-42); (3) Cayman Securities obtained a statement from ORFG’s CEO, dated May 19, 2014 (RP 8947-48); (4) David Wise “spoke with Dana Salvo, president of the Florida corporation called [FMCC]” on May 30, 2014 (RP 8997-9001); (5) Media Central submitted a letter, dated June 2, 2014 (not contained in the Due Diligence Package for the ORFG deposit); (6) FMCC submitted a letter, dated June 4, 2014 (not contained in the Due Diligence Package for the ORFG deposit); and (7) David Wise prepared an attorney opinion letter, the second attorney opinion letter for the deposit, dated June 4, 2014 (RP 8997-9001). On June 5, 2014, Scottsdale accepted the ORFG deposit. RP 8927-28. These additional steps were wholly inadequate because they essentially asked the interested parties to self-report if they were connected.

³⁵ Scottsdale argues that the coincidence of similar addresses for the beneficial owners stems from the fact that the beneficial owners used the same registered agents for transactions. Cruz Br. 30. But nothing in the Due Diligence Packages substantiates or documents Scottsdale’s claims that one registered agent serviced multiple beneficial owners. The Commission should reject Scottsdale’s self-serving and unsubstantiated claims.

³⁶ For example, for the three NHPI deposits, Thomas Collins converted the Collins/NHPI Promissory Note to shares of NHPI on November 15, 2013. RP 8436-38, 8517-19, 8594-96. Two months before Thomas Collins obtained the NHPI shares, however, he executed the

[Footnote continued on next page]

deposits,³⁷ the coincidence of promotional activity in the issuer prior to, during, and after Scottsdale's acceptance and liquidation of the deposits (RP 7839-46, 8177-220, 8484-86, 8542-44, 8612-15, 8993-96), all required further inquiry. Scottsdale's cursory and incomplete due diligence foreclosed the Firm's ability to conduct a searching inquiry into the transactions underlying the NHPI, VPLM, and ORFG deposits.³⁸

[cont'd]

following documents to perfect the transfer of his NHPI shares to Sky Walker (Patrick Gentle), Swiss National Securities (Talal Fouani), and Ireland Offshore Securities (Jeff Cox): (1) a promissory note, dated September 1, 2013; (2) a stock pledge agreement, dated September 1, 2013; and (3) a note satisfaction agreement, dated September 16, 2013. RP 8442-43, 8522-27, 8600-05. For the VPLM deposit, the loan agreement between Locksmith Financial (Richard Kipping) and VPLM, which memorialized a verbal line of credit, was dated August 15, 2013, while the stock purchase agreement for VHB International's (Victor Hugo Bretel) purchase of VPLM shares from Locksmith Financial was dated about one week later, on August 23, 2013. RP 8664-69, 8671-75. For the ORFG deposit, Anything Media became indebted to Media Central on April 16, 2014, and, within days of the indebtedness, on April 22, 2014, Anything Media converted the debt that ORFG owed to Anything Media into ORFG shares to transfer those shares to Media Central. RP 8981-85, 8997-9001. To explain the dating of the documents for the NHPI deposits, Scottsdale conveniently claims that the dating of the documents is "typographical error." Cruz Br. at 31. The Firm offers no explanation for the dating of the transactions for the VPLM and ORFG deposits.

³⁷ The NAC found that there was no promotional activity in VPLM between December 2013 and June 2014. RP 8705-08, 10891.

³⁸ Scottsdale also failed to prove that it made a searching inquiry because the Firm's due diligence was careless. For example, Scottsdale's web-based searches for beneficial owner, "Talal Fanni," instead of Talal Fouani (Swiss National Securities), and the Firm's use of the incorrect spelling of the name of a VPLM officer ("Colin Thomas" instead of Colin Tucker) all but assured that the Firm's due diligence would not return useful or applicable results. RP 8460, 8466, 8477, 8701, 8740. A more detailed explanation of the many shortcomings of Scottsdale's Due Diligence Packages is contained in the NAC's decision. RP 10846-905.

(2) Scottsdale's Due Diligence Was Mechanical and Not Tailored to Address the Risks Associated with Its Microcap Securities Liquidation Business

Scottsdale also failed to prove that it made a searching inquiry for purposes of Rule 144 and Section 4(a)(4) of the Securities Act because the Firm's due diligence was mechanical and not tailored to address the risks associated with the Firm's deposits and liquidations of millions of shares of microcap securities. The Commission should affirm these findings.

Scottsdale's Due Diligence Packages for the five deposits demonstrate that the Firm followed a mechanical approach to due diligence, and that it collected due diligence without evaluating and independently verifying the information that it had gathered. There is no doubt that Scottsdale's Due Diligence Packages accumulated voluminous amounts of paper, but Scottsdale did not analyze the information that it collected, did not identify issues that its research raised, and did not conduct the requisite searching inquiry necessary to resolve those issues. Among the myriad of problems with Scottsdale's Due Diligence Packages, two glaring examples of the inadequacies of Scottsdale's mechanical due diligence stand out.

The first example concerns Scottsdale's web-based internet research for all five deposits. RP 8460-81, 8545-66, 8616-37, 8709-40, 9002-47. Scottsdale's web-based internet research for all five deposits was formulaic, using the same searches each time. RP 8460-81, 8545-66, 8616-37, 8709-40, 9002-47. Scottsdale did nothing to identify with specificity the purported beneficial owners of the NHPI, VPLM, or ORFG shares deposited at the Firm. In addition, while the Firm conducted its web-based internet research combining the name of the beneficial owner with the words "securities fraud," the Firm did not search for the beneficial owner's name alone, did not search for the beneficial owner's name in combination with the name of the entity through which

the beneficial owner acquired the shares, and did not search for the beneficial owner's name in connection with the name of the issuer or the issuer's executives, officers, or directors.

In fact, in several instances, when Scottsdale's web-based internet research did return a "hit," there is nothing in the Due Diligence Package to reflect that the Firm conducted any additional inquiry into those research results because only the first page of the initial index of search results from Scottsdale's web-based internet research is contained in the Due Diligence Packages for the NHPI, VPLM, and ORFG deposits.

The second example relates to the three NHPI deposits. Although the three deposits purported to be unrelated deposits with unrelated beneficial owners, the overwhelming majority of the documents in the Due Diligence Packages for the three deposits are identical. RP 8411-637. These identical documents include the attorney opinion letter and transactional documents for the three deposits, in addition to deposit-specific documents that were clearly photocopied and placed in each Due Diligence Package. RP 8428-43, 8507-27, 8584-605. Specifically, the web browser date at the bottom of the photocopied documents, and certain handwritten notations on the documents, indicate that Scottsdale obtained these documents in connection with its due diligence for the earliest of the three NHPI deposits, the deposit for Patrick Gentle and Sky Walker, and that the Firm photocopied that research for inclusion in the other two NHPI deposits. RP 8467-68, 8448-50, 8530-32, 8552-53, 8606-08, 8623-24.

Scottsdale's explanation for the identical nature of the three NHPI deposits solidifies the Firm's problematic approach to due diligence. Cruz Br. at 31. Scottsdale explains the identical nature of the three NHPI deposits as follows: "[Thomas] Collins was *likely* looking for a loan of \$150,000, but was not able to find a single lender Instead, [Thomas] Collins *likely* worked with someone who was able to locate three parties that were each willing to loan him \$50,000."

Cruz Br. at 31 (emphasis added). As Scottsdale’s proffered Due Diligence Packages attest, Scottsdale knew little to nothing about the individuals, entities, and transactions behind the deposits that it accepted and liquidated, relying on speculation to fill in its informational gaps. But speculation does not satisfy the searching inquiry standards of Rule 144 and Section 4(a)(4) of the Securities Act. *See Distribution by Broker-Dealers of Unregistered Securities*, 1962 SEC LEXIS 74, at *3 (explaining that a broker-dealer must “take whatever steps are necessary to be sure that this is a transaction not involving an issuer, person in a control relationship with an issuer or an underwriter.”) (emphasis added). The Commission should affirm the NAC’s findings that Scottsdale’s mechanical due diligence foreclosed the Firm’s ability to conduct a searching inquiry into the transactions underlying the NHPI, VPLM, and ORFG deposits.

Aside from failing to satisfy its duty to conduct a searching inquiry under Rule 144 and Section 4(a)(4) of the Securities Act, Scottsdale also has failed to prove that the numerical aspects of Rule 144 applied to exempt the subject transactions from the registration requirements of Section 5 of the Securities Act. The three numerical aspects of Rule 144 at issue here are the affiliate status of the beneficial owners, the one-year holding applicable to the resale of restricted securities, and the shell company status of the issuers of the subject securities. Scottsdale has failed to carry its burden of proof for each of these numerical aspects of Rule 144.

d. Scottsdale Failed to Prove That the Beneficial Owners of the Deposited Unregistered Microcap Shares Were Not Affiliates of the Issuers

The Commission should affirm the NAC’s findings that Scottsdale cannot rely on the Rule 144 exemption because the Firm failed to prove that the beneficial owners of the deposited

unregistered microcap shares were not affiliates of NHPI, VPLM, and ORFG.³⁹ The primary problem with Scottsdale’s approach to the identification of the beneficial owners of deposited microcap shares is that the Firm relied heavily on the self-serving representations in the Beneficial Ownership Declarations to establish that the beneficial owners depositing their shares at the Firm were not affiliates of the issuer, and that the beneficial owners were the individuals who had the economic interest in the deposited shares. As Cruz testified, Scottsdale relied on the beneficial owners’ representations in the Beneficial Ownership Declarations because the beneficial owners understood Scottsdale’s expectations concerning the beneficial ownership of the deposited shares.⁴⁰ RP 2540.

³⁹ The beneficial owners of the NHPI deposits are Patrick Gentle (Sky Walker), Talal Fouani (Swiss National Securities), and Jeff Cox (Ireland Offshore Securities). RP 8421-22, 8498-99, 8579-80. The beneficial owner of the VPLM deposit is Victor Hugo Bretel (VHB International). RP 8650-51. The beneficial owner of the ORFG deposit is Geovanni Moh (Media Central). RP 8937-38.

⁴⁰ Cruz asserts that a May 2016 FinCEN final rule endorses Scottsdale’s Beneficial Ownership Declaration and the Firm’s approach to identifying the beneficial owners of microcap shares deposited at the Firm. Cruz Br. at 8. *See Customer Due Diligence Requirements for Financial Institutions*, 81 Fed. Reg. 29,398 (May 11, 2016). Cruz underestimates FinCEN’s rulemaking and overstates the effectiveness of Scottsdale’s Beneficial Ownership Declaration. As an initial matter, FinCEN’s rulemaking is not guidance from the Commission for compliance with Rule 144. Second, the “standard certification form” that FinCEN has approved provides far more information than Scottsdale’s Beneficial Ownership Declaration. For example, FinCEN’s certification form requires the beneficial owner’s name, address, and date of birth, in addition to the passport information of a foreign beneficial owner. *See id.* at 29,454-57. Scottsdale’s Beneficial Ownership Declaration requests only the beneficial owner’s name and signature. Finally, FinCEN’s rulemaking contemplates an entire due diligence framework with robust inquiry into suspicious circumstances. FinCEN’s certification constitutes only part of this framework. As FinCEN cautions, a “financial institution may rely on the beneficial ownership information supplied by the customer, *provided that it has no knowledge of facts that would reasonably call into question the reliability of the information.*” *See id.* at 29,398 (emphasis added). Scottsdale’s Due Diligence Packages presented deposits and transactions riddled with suspicious circumstances, including the identity of the beneficial owner of the deposited shares, that required the Firm’s searching inquiry. Scottsdale abdicated its responsibility and made no such inquiry.

But Scottsdale's approach to due diligence, and, specifically, due diligence related to the verification of the identity of the beneficial owners, failed to account for the beneficial owners' use of nominees. Scottsdale's failures in confirming the identities of the beneficial owners and unmasking nominees, if nominees participated in the transactions, left the Firm unable to prove that the individuals and entities involved in the transactions were not affiliates of the issuer. *See Consol. Bankshares of Florida*, 1972 SEC No-Act. LEXIS 7, at *3 (Nov. 23, 1972) (“[A]s a matter of law, a person who claims that he is not an affiliate in order to use an exemption from registration has the burden of proving the availability of the exemption.”).

As it relates to the five specific Beneficial Ownership Declarations for the deposits in this case, the Beneficial Ownership Declarations themselves raised several concerns. RP 8421-22, 8498-99, 8579-80, 8650-51, 8937-38. First, the Beneficial Ownership Declarations were unauthenticated, unsworn, and unwitnessed. And yet, without any basis, Scottsdale accepted as genuine the signatures on the documents. Second, the Beneficial Ownership Declarations failed to explain how the beneficial owners came to own the shares that they deposited at the Firm. Finally, nothing in the Due Diligence Packages, or the other documentary or testimony evidence in the record, supports that Scottsdale had any semblance of a preexisting relationship with the beneficial owners that may have permitted the Firm to accept the Beneficial Ownership Declarations as trustworthy without inquiry.⁴¹

⁴¹ Of the five beneficial owners at issue in this case, Diekmann and Cruz testified that they were familiar only with Victor Hugo Bretel (VHB International), but Diekmann's and Cruz's testimony focuses on Victor Hugo Bretel's Bolivian nationality, and largely supports that their claims of familiarity were based on his other liquidations of VPLM stock through Scottsdale. RP 2441, 2965, 4198, 4246-47.

To the contrary, the record demonstrates that, in at least one instance, Scottsdale had evidence of potential affiliate-involvement in a deposit and failed to conduct a further inquiry into the circumstances surrounding that deposit. The subject deposit is the VPLM deposit, and the potential affiliate was VPLM's former president, Richard Kipping. The documentary and testimony evidence in the record establishes that Scottsdale knew that Richard Kipping had been an affiliate of VPLM,⁴² and, when confronted with that information, the Firm still failed to inquire into whether Richard Kipping remained one.

For example, the Due Diligence Package for the VPLM deposit does not contain a copy of a resignation letter for Richard Kipping, and it is apparent from the Due Diligence Package for the deposit that the Firm did not have a specific resignation date for Richard Kipping's departure from VPLM.⁴³ *See generally Rule 144 – Persons Deemed Not to be Engaged in a Distribution*

⁴² Documents in the Due Diligence Package for the VPLM deposit establish that Scottsdale knew that Richard Kipping had been an affiliate of VPLM. For example, the Deposited Securities Checklist for the deposit contains the following notations: "Locksmith Financial [] (Richard Kipping) – nonaffiliate per [l]egal;" and "Richard Kipping is former [P]resident of issuer (resigned more than two years ago per legal)." RP 8639-40. In addition, other documents in the Due Diligence Package for the deposit show that Richard Kipping, both directly and through Locksmith Financial, had received more than 80 million shares of VPLM between October 2011 and August 2013. RP 8678. Based on the 730 million shares that VPLM had outstanding when Scottsdale evaluated the deposit, the Firm should have realized that Richard Kipping and Locksmith Financial owned nearly 11 percent of VPLM, and that Richard Kipping may be deemed an affiliate regardless of whether he was still an officer of the issuer. RP 8639-40, 8678. *See Hicks, Resales of Restricted Securities* at § 4:38 (explaining that owners of at least 10 percent of an issuer's securities are presumptive affiliates of the issuer).

⁴³ Cruz states that an online press release provided him with the date of Richard Kipping's resignation and informed him that Richard Kipping "was not employed by VPLM within 180 days of Locksmith [Financial's] sale of stock to VHB [International] in August 2013." Cruz Br. at 33. The Applicants, however, are the ones arguing that the Due Diligence Packages, which they proffered, contained *all* the information that they had when they approved a deposit. And nothing in the Due Diligence Package for the VPLM deposit provides a specific date for Kipping's resignation from VPLM. The Commission should reject the Applicants' post hoc attempts to shore up their shoddy Due Diligence Packages.

and therefore Not Underwriters – General Guidance, <https://www.sec.gov/divisions/corpfin/guidance/securitiesactrules-interps.htm>, at 528.06 (Jan. 26, 2009) (explaining that “[t]he cessation of affiliate status is a facts-and-circumstances determination, and counsel should not assume that it ceases instantly when, for example, the former affiliate resigns from his or her position at the company.”).

Instead of conducting its own inquiry into Richard Kipping’s resignation from VPLM to satisfy itself that he was not a VPLM-affiliate,⁴⁴ the Firm relied on the representations in the attorney opinion letter for the deposit to make that determination. This fact is even more problematic because Locksmith Financial and Richard Kipping retained the law firm that prepared the attorney opinion letter for the deposit. RP 8657-59. *See Sales of Unregistered Securities by Broker-Dealers*, Exchange Act Release No. 9239, 1971 SEC LEXIS 19, at *7 (July 7, 1971) (“[I]n this regard, it should be noted that information received from little-known companies or their officials, transfer agent or counsel must be treated with great caution as these are the very parties that may be seeking to deceive the firm.”).

The true identity of beneficial owners, and any relationship they may have to issuers or affiliates of issuers, is critical to the application of an exemption under Rule 144 and Section 4(a)(4) of the Securities Act. Although Scottsdale created voluminous Due Diligence Packages for its deposits, the Firm, in fact, knew little to nothing about the identities of the beneficial owners who deposited their microcap shares at the Firm. Without independent due diligence and verification of the beneficial owners’ identities, Scottsdale was unable to prove that the

⁴⁴ Diekmann’s testimony underscores how little Scottsdale did to confirm that Richard Kipping was not a VPLM-affiliate for purposes of the VPLM deposit. Diekmann testified that he was unaware of anything that anyone at Scottsdale did to confirm that Richard Kipping no longer had any duties as president of VPLM. RP 4060-61.

individuals and entities involved in the five deposits were not affiliates of the issuers. *See Distribution by Broker-Dealers of Unregistered Securities*, 1962 SEC LEXIS 74, at *3 (“[I]t is not sufficient for [the broker-dealer] merely to accept self-serving statements of [its] sellers and their counsel without reasonably exploring the possibility of contrary facts”). The Commission should affirm the NAC’s findings that Scottsdale cannot rely on exemptions under Rule 144 or Section 4(a)(4) based on potential affiliate involvement in the deposits.

e. Scottsdale Failed to Establish the One-Year Holding Period for the Resale of Restricted Securities

The Commission should affirm the NAC’s findings that Scottsdale cannot rely on an exemption under Rule 144 because the Firm failed to prove that each of the five deposits satisfied the one-year holding period for the resale of restricted securities.

(1) Satisfaction of the One-Year Holding Period Through Tacking to the Issuer’s Same Securities

Scottsdale acknowledges that a one-year holding period applies to the resales at issue in this case. *See also Revisions to Rules 144 and 145*, Securities Act Release No. 8869, 2007 SEC LEXIS 2850, at *33 (Dec. 6, 2007). To satisfy Rule 144’s one-year holding period for restricted securities, beneficial owners may tack their holding period to the holding period of their predecessors. 17 C.F.R. § 230.144(d)(3) (2013). This tacking may occur only “[i]f the securities sold were acquired from the issuer solely in exchange for other *securities* of the *same issuer*.”⁴⁵ 17 C.F.R. § 230.144(d)(3)(ii) (2013) (emphasis added). In this case, none of the beneficial

⁴⁵ “Conversions and exchanges. If the securities sold were acquired from the issuer solely in exchange for other securities of the same issuer, the newly acquired securities shall be deemed to have been acquired at the same time as the securities surrendered for conversion or exchange, even if the securities surrendered were not convertible or exchangeable by their terms.” 17 C.F.R. § 230.144(d)(3)(ii) (2013).

owners held his or her restricted shares for one year (or longer). As a consequence, in order for the beneficial owner to satisfy the one-year holding period for the potential application of the Rule 144 exemption, the beneficial owner must be able to tack his or her holding period to that of his or her predecessor.

There is no question that the beneficial owners' securities – the restricted shares of NHPI, VPLM, and ORFG that were subject to resale – emanated from the same issuer as the predecessors' instruments – the Collins/NHPI Promissory Note, the Locksmith Financial/VPLM Verbal Line of Credit, and the Forward/ORFG Convertible Promissory Note. Consequently, the dispositive issue, which Scottsdale had the burden to prove, is that the Collins/NHPI Promissory Note, the Locksmith Financial/VPLM Verbal Line of Credit, and the Forward/ORFG Convertible Promissory Note constitute securities. *See generally Midas Sec.*, 2012 SEC LEXIS 199, at *28 (explaining that exemptions from the registration requirements are affirmative defenses that must be established by the person claiming the exemption).

(2) Application of the Family Resemblance Test Proves That the Collins/NHPI Promissory Note, Locksmith Financial/VPLM Verbal Line of Credit, and Forward/ORFG Convertible Promissory Note Are Not Securities

Section 3(a)(10) of the Exchange Act defines security to include “any note,” but limits that definition of security to notes that exceed nine months. 15 U.S.C. § 78c(a)(10) (2018) (stating that the definition of security “shall not include any note . . . which has a maturity at the time of issuance not exceeding nine months.”). Although the Exchange Act begins with the “presumption that *any* note with a term of more than nine months is a ‘security,’” the Supreme Court has recognized that “not all notes are securities” and has adopted a test to identify notes that “are obviously not securities.” *Reves v. Ernst & Young*, 494 U.S. 56, 63-64, 67 (1990)

(stating that “the phrase ‘any note’ should not be interpreted to mean literally ‘any note,’ but must be understood against the backdrop of what Congress was attempting to accomplish in enacting the Securities [and Exchange] Acts.”). The Supreme Court’s test to identify notes that are not securities is the “family resemblance test.” *Id.* at 63.

In application, the family resemblance test rebuts the presumption that a note is a security if the note in question does not “bear[] a strong resemblance (in terms of the four factors we have identified) to one of the enumerated categories of instrument[s].” *Id.* at 67 (explaining “[i]f an instrument is not sufficiently similar to an item on the list, the decision whether another category should be added is to be made by examining the same factors.”); *Exch. Nat’l Bank v. Touche Ross & Co.*, 544 F.2d 1126, 1138 (2d Cir. 1976) (stating that types of notes that are not securities include “the note delivered in consumer financing, the note secured by a mortgage on a home, the short-term note secured by a lien on a small business or some of its assets, the note evidencing a character loan to a bank customer, short-term notes secured by an assignment of accounts receivable, or a note which simply formalizes an open-account debt incurred in the ordinary course of business”).

The four factors of the family resemblance test examine: (1) “the transaction to assess the motivations that would prompt a reasonable seller and buyer to enter into it;”⁴⁶ (2) “the plan of distribution of the instrument . . . to determine whether it is an instrument in which there is common trading for speculation or investment;” (3) “the reasonable expectations of the investing

⁴⁶ “If the seller’s purpose is to raise money for the general use of a business enterprise or to finance substantial investments and the buyer is interested primarily in the profit the note is expected to generate, the instrument is likely to be a ‘security.’ If the note is exchanged to facilitate the purchase and sale of a minor asset or consumer good, to correct for the seller’s cash-flow difficulties, or to advance some other commercial or consumer purpose, on the other hand, the note is less sensibly described as a ‘security.’” *Reves*, 494 U.S. at 66.

public;” and (4) “whether some factor such as the existence of another regulatory scheme significantly reduces the risk of the instrument, thereby rendering application of the Securities [and Exchange] Acts unnecessary.” *Reves*, 494 U.S. at 66-67.

(a) The Collins/NHPI Promissory Note Is Not a Security

Sky Walker (Patrick Gentle), Swiss National Securities (Talal Fouani), and Ireland Offshore Securities (Jeff Cox) acquired their shares of NHPI on September 1, 2013. RP 8442-43, 8522-27, 8600-05. To satisfy Rule 144’s one-year holding period, Sky Walker, Swiss National Securities, and Ireland Offshore Securities must tack their holding period to the Collins/NHPI Promissory Note, which is dated May 1, 2012. RP 8516, 8593. Sky Walker, Swiss National Securities, and Ireland Offshore Securities, however, may not tack their holding period to Thomas Collins’ holding period because the Collins/NHPI Promissory Note is not a security.

As an initial matter, the Collins/NHPI Promissory Note had a duration of only two months – the Collins/NHPI Promissory Note is dated May 1, 2012, and it became payable on July 1, 2012. RP 8516, 8593. The Exchange Act’s clearly articulated presumption that notes of a duration shorter than nine months do not constitute securities favors finding that the Collins/NHPI Promissory Note is not a security, and the application of the family resemblance test to the Collins/NHPI Promissory Note reinforces that the Collins/NHPI Promissory Note is not a security. *See generally* 15 U.S.C. § 78c(a)(10) (2018).

NHPI did not enter into the Collins/NHPI Promissory Note to finance its general business nor did Thomas Collins seek to invest in the issuer. Rather, the Collins/NHPI Promissory Note documented the debt that NHPI purportedly already owed to Thomas Collins for consulting services already provided. RP 8516, 8593. The Collins/NHPI Promissory Note was not a source

of profit for Thomas Collins. According to the Collins/NHPI Promissory Note, Thomas Collins had already completed the consulting work and was entitled to payment for his services. RP 8516, 8593. Thomas Collins' choice to permit NHPI to default on the note, and delay payment of the note for more than 16 months after the default, suggests that Thomas Collins was not motivated by profit or the five percent default rate that the note contained. The Collins/NHPI Promissory Note also was issued in a single transaction, and a note that "merely reflects a single transaction" and is "not offered to the public" is not a security. *New Earthshell Corp. v. Jobookit Holdings Ltd.*, 2015 U.S. Dist. LEXIS 27141, at *10-11 (S.D.N.Y. Mar. 5, 2015), *vacated on other grounds*, 634 F. App'x 44 (2d Cir. 2015). Finally, there was no public expectation that the Collins/NHPI Promissory Note, which promised to pay monies for an individual's consulting services to an issuer, should be deemed a security.⁴⁷ Based on these facts, the Commission should affirm the NAC's findings that the Collins/NHPI Promissory Note is not a security, and that Sky Walker, Swiss National Securities, and Ireland Offshore Securities may not tack their holding period to it to satisfy the one-year holding period of Rule 144.

**(b) The Locksmith Financial/VPLM Verbal
Line of Credit Is Not a Security**

VHB International (Victor Hugo Bretel) acquired its shares of VPLM on August 23, 2013. RP 8671-75. To satisfy Rule 144's one-year holding period, VHB International must tack its holding period to the Locksmith Financial/VPLM Verbal Line of Credit. The Locksmith

⁴⁷ For all five deposits, the NAC determined that the fourth factor of the family resemblance test, whether another regulatory scheme diminished the need for treating the instrument as a security, was not relevant to the analysis. RP 10899.

Financial/VPLM Verbal Line of Credit dates back to July 2010 or August 2012.⁴⁸ RP 8657-59, 8664-65, 8682-83, 8684-85. Regardless, the dating of the Locksmith Financial/VPLM Verbal Line of Credit is inconsequential. VHB International may not tack its holding period to Locksmith Financial's holding period because the Locksmith Financial/VPLM Verbal Line of Credit is not a security.

As an initial matter, the Locksmith Financial/VPLM Verbal Line of Credit had the hallmarks of an “open-account debt incurred in the ordinary course of business,”⁴⁹ and open-account debts do not qualify as securities. *Exch. Nat'l Bank*, 544 F.2d at 1138. Second, the Locksmith Financial/VPLM Verbal Line of Credit constituted a commercial financing arrangement between private parties that advanced VPLM's day-to-day business operations, not the issuer's capital investment initiatives.⁵⁰ *See generally SEC v. Thompson*, 732 F.3d 1151, 1167 (10th Cir. 2013) (explaining that, when institutions make loans as a part of their ordinary

⁴⁸ Documents in the Due Diligence Package for the VPLM deposit, specifically, Locksmith Financial's “Business Banking Statement[s],” state that the payments from Locksmith Financial to VPLM date back to July 2010. RP 8657-59, 8682-83, 8684-85. The loan agreement between Locksmith Financial and VPLM, however, asserts that Locksmith Financial's payments to VPLM date back to August 2012. RP 8664-65. Scottsdale did not resolve the discrepancy.

⁴⁹ Open-account debts are shareholder advances that are not evidenced by a note and typically involve multiple loans made from a shareholder to a corporation throughout the year. *See* 26 C.F.R. § 1.1367-2 (2018) (Adjustments to Basis of Indebtedness to Shareholder) (stating that “[t]he term open account debt means shareholder advances not evidenced by separate written instruments and repayments on the advances”); *see also SEC v. Greenstone Holdings, Inc.*, 2012 U.S. Dist. LEXIS 44192, at *20 (S.D.N.Y. Mar. 28, 2012) (holding that “open-account debts cannot be converted to securities simply by issuing notes”).

⁵⁰ Cruz argues that the Locksmith Financial/VPLM Verbal Line of Credit is an “investment-driven loan[] related to [a] line[] of credit,” which constitutes a security. Cruz Br. at 16. Cruz's argument misses the mark. The Locksmith Financial/VPLM Verbal Line of Credit was an open-account debt involving multiple loans from Locksmith Financial to VPLM throughout the course of several years. The Locksmith Financial/VPLM Verbal Line of Credit was not an investment by investors.

course of business, those loans are not considered to be securities). Finally, the Locksmith Financial/VPLM Verbal Line of Credit lacked a connection to the general investing public, and the general investing public would not expect that the Locksmith Financial/VPLM Verbal Line of Credit would be deemed a security. Based on these facts, the Commission should affirm the NAC's findings that the Locksmith Financial/VPLM Verbal Line of Credit is not a security, and that VHB International may not tack its holding period to the Locksmith Financial/VPLM Verbal Line of Credit to satisfy the one-year holding period of Rule 144.

(c) The Forward/ORFG Convertible Promissory Note Is Not a Security

Media Central (Geovanni Moh) acquired its shares of ORFG on April 16, 2014. RP 8983-85. To satisfy Rule 144's one-year holding period, Media Central must tack its holding period to the Forward/ORFG Convertible Promissory Note, which is dated September 1, 2012. RP 8962-67. Media Central may not tack its holding period to the Forward/ORFG Convertible Promissory Note.

As an initial matter, the Forward/ORFG Convertible Promissory Note failed to qualify for Rule 144 exemption protection because Casey Forward did not exchange the Forward/ORFG Convertible Promissory Note for shares of ORFG. When Forward assigned a portion of his ORFG-owed debt to Anything Media, Casey Forward exchanged his ORFG-owed debt for shares of a different issuer, Anything Technologies Media. RP 8972-74. *See* 17 C.F.R. § 230.144(d)(3)(ii) (2013) (stating that tacking may occur only “[i]f the securities sold were acquired from the issuer solely in exchange for other securities of the *same issuer*.”) (emphasis added).

In addition, Media Central may not tack its holding period to the Forward/ORFG Convertible Promissory Note because the Forward/ORFG Convertible Promissory Note is not a

security. Although the Forward/ORFG Convertible Promissory Note is presumed to be a security under the Exchange Act because the duration of the Forward/ORFG Convertible Promissory Note is exactly nine months, the application of the family resemblance test rebuts the presumption that the Forward/ORFG Convertible Promissory Note is a security. RP 8962-67.

The Forward/ORFG Convertible Promissory Note had attributes similar to an open-account debt, which does not qualify as a security. *See Exch. Nat'l Bank*, 544 F.2d at 1138. According to its terms, the Forward/ORFG Convertible Promissory Note provided ORFG with funds “for loans, advances, and debt.” The Forward/ORFG Convertible Promissory Note also was an individual transaction that was not designed to trade as an investment. *See New Earthshell Corp.*, 2015 U.S. Dist. LEXIS 27141, at *10-11. Finally, the general investing public would not view the Forward/ORFG Promissory Note as a security. Based on this application of the family resemblance test, the Commission should affirm the NAC’s findings that the Forward/ORFG Convertible Promissory Note is not a security, and that Media Central may not tack its holding period to it to satisfy the one-year holding period of Rule 144.

f. Scottsdale Failed to Prove That Two Issuers – NHPI and ORFG – Were Not Shell Companies

The Commission should affirm the NAC’s findings that Scottsdale cannot rely on an exemption under Rule 144 because the Firm failed to prove that NHPI and ORFG were not shell companies between December 2013 and June 2014.⁵¹ In order to establish that NHPI and ORFG were not shell companies, Scottsdale relied on the attorney opinion letters, which generally came from attorneys retained by interested parties, the issuers’ self-serving representations, and the

⁵¹ The safe harbor of Rule 144 does not extend to “shell companies,” or issuers “with no or nominal operations and no or nominal non-cash assets.” 17 C.F.R. § 230.144(g)(4)(i) (2013).

issuers' unaudited financial statements. These documents, however, do not satisfy Scottsdale's burden to prove that NHPI and ORFG were not shell companies.⁵²

First, Scottsdale's cursory, incomplete, and mechanical due diligence did not respond to the basic question of whether NHPI and ORFG were shell companies. As Enforcement's expert witness, Brian Underwood,⁵³ testified, it is not enough to obtain a representation from the issuer related to its own non-shell company status. RP 5057-59. To the contrary, as Brian Underwood reported, common industry practice included obtaining a "Bradstreet [R]eport," which provides information about "[the issuer's] operations, revenues, assets, who the key officers and directors are, shareholders – a great deal of information that is not necessarily available simply by going on the internet." RP 5057-59. Scottsdale did not obtain Bradstreet Reports.

Second, Scottsdale relied on descriptions of NHPI's and ORFG's assets and liabilities in certain unaudited financial statements that the issuers had published. These unaudited financial statements were vague, showed unspecific cash assets, failed to show physical assets, failed to provide any indication of the nature of issuers' expenses, and failed to report the business activities that may have led the issuer to incur the expenses in the first instance. RP 8448-50, 8530-32, 8606-08, 8986. In short, the unaudited financial statements, which Scottsdale used to conduct its due diligence, and satisfy itself that NHPI and ORFG were not shell companies, contained no verifiable facts.

⁵² The NAC declined to examine the issue of whether VPLM was a shell company between December 2013 and June 2014. RP 10902.

⁵³ The Hearing Panel found Brian Underwood's opinions persuasive and reliable, but it gave little weight to the opinions offered by the Applicants' expert, Marc Menchel. RP 10067-68.

Third, distinct from the issue of Scottsdale's failure of proof, certain aspects of NHPI's and ORFG's operations support a finding that the issuers were, in fact, shell companies.⁵⁴ For example, NHPI's amended Form 10-K for the annual period ending on December 31, 2008 disclosed that NHPI had changed operations from a pharmaceutical business to an oil and gas business, without providing any additional explanation or information about why, when, and how the change had occurred. *See* NHPI Amended Form 10-K, for the annual period ending on December 31, 2008, dated April 30, 2009 (<https://www.sec.gov/edgar/searchedgar/companysearch.html>).

Similarly, ORFG's Form 10-K for the annual period ending on May 31, 2014 reported that the issuer was changing operations from an automotive detailing service to an oil and gas operation. ORFG's Form 10-K stressed the point and reported that ORFG "has achieved no operating revenues to date," and that the issuer "is presently looking at oil and gas properties." *See* ORFG Annual Report, for the annual period ending on May 31, 2014, filed on March 25, 2016 (<https://www.sec.gov/edgar/searchedgar/companysearch.html>). NHPI's and ORFG's operations should have led Scottsdale to conduct a searching inquiry to determine if the issuers were shell companies. *See FINRA Regulatory Notice 09-05*, 2009 FINRA LEXIS 7, at *8 (Jan. 2009) (advising FINRA member firms that additional scrutiny may be required if "[t]he issuer has been through several recent name changes, business combinations or recapitalizations . . ."). The Commission should affirm the NAC's findings that Scottsdale failed to prove that NHPI and ORFG are not shell companies.

⁵⁴ NHPI's and ORFG's Form 10-Ks were not in the record. FINRA took official notice of the periodic filings. *See* FINRA Rule 9145(b).

g. Scottsdale Cannot Rely on Rule 144 Because the Firm's Due Diligence Packages Were Part of a Plan to Evade the Registration Requirements of the Securities Act

Finally, the Commission should find that Scottsdale may not rely on an exemption pursuant to Rule 144 because the Firm's Due Diligence Packages were part of a plan to evade the registration requirements of the Securities Act. *See* 17 C.F.R. § 230.144 (2013) (preliminary note) (stating that “[t]he Rule 144 safe harbor is not available to any person with respect to any transaction or series of transactions that, although in technical compliance with Rule 144, is part of a plan or scheme to evade the registration requirements of the [Securities] Act.”).

The five deposits were strikingly similar. The deposits involved beneficial owners who sought to sell large blocks of thinly traded, little-known microcap securities acquired in a chain of private transactions originating with the issuer; the beneficial owners sought to resell their shares almost immediately after acquiring them from their predecessors; and the transactions raised a number of questions, included a host of discrepancies, and involved several circumstances that should have raised Scottsdale's suspicions. When confronted with these issues, Scottsdale did not engage in the searching inquiry required under Rule 144 and Section 4(a)(4) of the Securities Act, opting, instead, to prepare voluminous Due Diligence Packages that only provided the false appearance of due diligence.

Scottsdale's Due Diligence Packages were essentially meaningless for the identification of potentially unlawful distributions of microcap securities. To the contrary, the primary goal of the Due Diligence Packages was not information gathering; rather, it was to qualify the deposit for a registration exemption pursuant to Rule 144 or Section 4(a)(4) of the Securities Act. Scottsdale did not evaluate the information contained in the Due Diligence Packages, did not investigate red flags when its due diligence identified a potential issue, and did not independently

verify the information received from interested parties to the transactions. Based on these findings, the Commission should find that Scottsdale may not rely on an exemption under Rule 144 of the Securities Act because the Firm's Due Diligence Packages were part of a plan to evade the registration requirements of the Securities Act.⁵⁵

* * *

The record amply supports that Scottsdale sold unregistered and nonexempt securities in contravention of Section 5 of the Securities Act. Based on these facts, the Commission should affirm the NAC's findings that Scottsdale violated FINRA Rule 2010.

D. Hurry Unethically Created, Managed, and Controlled Cayman Securities, in Violation FINRA Rule 2010

The record in this case proves that Hurry created, managed, and controlled Cayman Securities to serve as a buffer between Scottsdale and its risky offshore microcap liquidation business. Based on that finding, FINRA properly determined that Hurry acted unethically, and that he violated FINRA Rule 2010. The Commission should affirm these findings.

1. FINRA Charged Hurry with a Violation of FINRA Rule 2010, Not Section 5 of the Securities Act

Hurry argues that "Hurry cannot be found liable for Section 5 violations." Hurry Br. at 16. The NAC, however, made no such finding. The NAC found that Hurry violated FINRA Rule 2010.

FINRA Rule 2010 requires that associated persons "observe high standards of commercial honor and just and equitable principles of trade." FINRA Rule 2010. The reach of

⁵⁵ Scottsdale argues that the NAC improperly shifted the burden of proof to the Firm to demonstrate that its due diligence was not part of a plan to evade the Securities Act's registration requirements. Cruz Br. at 26. FINRA asks only that the Commission make this finding based on the evidence in the record, not because it is Scottsdale's burden of proof.

FINRA Rule 2010 is not limited to rules of legal conduct, but states a broad ethical principle. *See Burkes*, 51 S.E.C. at 360 n.21. The principal consideration underscoring FINRA Rule 2010 is whether the conduct at issue “reflects on the associated person’s ability to comply with the regulatory requirements of the securities business.” *Blair C. Mielke*, Exchange Act Release No. 75981, 2015 SEC LEXIS 3927, at *46 (Sept. 24, 2015).

The obligations of a security professional to honor just and equitable principles of trade can be broader than specific violations of the federal securities laws. The obligation can also be coextensive. For example, selling unregistered and nonexempt securities, in contravention of Section 5 of the Securities Act, violates FINRA Rule 2010. *See Midas Sec.*, 2012 SEC LEXIS 199, at *46 n.63. The Commission has explained that “[w]e have repeatedly held that the breach of a security professional’s duty to a client is sufficient to sustain a [just-and-equitable] rule violation.” *Thomas W. Heath, III*, Exchange Act Release No. 59223, 2009 SEC LEXIS 14, at *16-17 (Jan. 9, 2009), *aff’d*, 586 F.3d 122 (2d Cir. 2009).⁵⁶

Here, Hurry’s creation, management, and control of Cayman Securities was unethical conduct that violated FINRA Rule 2010 because Cayman Securities operated to insulate Scottsdale from regulatory scrutiny and allowed Scottsdale to facilitate the unlawful distribution of millions of shares of unregistered microcap securities into the US securities markets. Hurry’s conduct, while not a direct violation of Section 5 of the Securities Act, was unethical conduct for a security professional. The Commission should affirm the NAC’s findings.

⁵⁶ Although the NYSE found that the respondent in *Heath* “disclosed material non-public information regarding the pending acquisition of a [broker-dealer] client,” the NYSE did not allege that the respondent committed an insider trading violation. *Heath*, 2009 SEC LEXIS 14, at *1-2. The Commission affirmed that Heath violated just and equitable principles of trade. *Id.* at *14-15.

2. FINRA Provided Hurry with Adequate Notice That His Creation, Management, and Control of Cayman Securities Was the Subject of This Disciplinary Proceeding

Hurry states that the “NAC improperly premised liability on an uncharged theory,” that the “sole charge against [] Hurry was an alleged violation of Section 5,” and that the NAC’s findings concerning Hurry’s unethical conduct “violates the Exchange Act’s Fairness Requirement.” Hurry Br. at 4-9. A straight forward review of the FINRA’s complaint, however, proves that Hurry’s arguments have no merit.

The complaint alleged that Hurry had “acted in contravention of Section 5 [of the Securities Act] . . . and thus violated FINRA Rule 2010.” RP 35. The complaint based its allegation on the following three facts: (1) “Hurry’s establishment of [Cayman Securities] as an attractive intermediary in the Cayman Islands – a country with stringent secrecy laws, which did not regulate [Cayman Securities’] securities business – for individuals who, through foreign financial institutions, engaged in the high-risk microcap stock liquidation business;” (2) “Hurry’s unreasonable delegation of responsibility to [Gregory Ruzicka] – who had no securities industry experience – to vet [Cayman Securities’] high-risk microcap stock liquidation business for possible violations of Section 5 and other securities laws and rules;” and (3) “Hurry’s indirect ownership of, and ability to exercise control over, [Cayman Securities], Scottsdale, and Alpine [Securities], which facilitated liquidations of microcap stocks, without the scrutiny such transactions demanded.” RP 34-35.

The Hearing Panel found that Hurry’s conduct was unethical. RP 10084-88. The Hearing Panel explained that “Hurry [was] not charged with offering or selling securities in violation of Section 5. He is charged with an ethical violation under [FINRA] Rule 2010,” and it found that Hurry violated FINRA Rule 2010. RP 10085, 10088.

The NAC also found that Hurry's conduct was unethical. RP 10905-13. In doing so, the NAC analyzed whether Hurry's establishment of Cayman Securities, indirect ownership of Cayman Securities, management of Cayman Securities' business, control over Cayman Securities and its personnel, and prospecting for Cayman Securities' customers was unethical conduct. RP 10905-13. The NAC found that Hurry's creation, management, and control of Cayman Securities was unethical conduct that violated FINRA Rule 2010. RP 10913.

The “[just and equitable principles of trade] [r]ule’s standard of unethical conduct” must “provide [the] [p]etitioner with adequate notice that the conduct in question was sanctionable.” *Heath*, 586 F.3d at 140-41. FINRA has met this standard.

The complaint put the issue of Hurry's creation, management, and control of Cayman Securities squarely in contention. RP 34-35. The complaint charged Hurry with a violation of just and equitable principles of trade, FINRA Rule 2010, not Section 5 of the Securities Act. RP 35. The complaint also specified that it was Hurry's activities at Cayman Securities – his creation, management, and control of the foreign broker-dealer – that caused Hurry's FINRA Rule 2010 violation. RP 34-35. The Commission should find that FINRA provided Hurry with adequate notice of the charges against him in this case.

3. The Hearing Panel Properly Admitted, and the NAC Properly Relied on, Gregory Ruzicka's On-the-Record Testimony

Unable to ignore the actions underlying his misconduct, Hurry seeks to discredit Gregory Ruzicka's on-the-record testimony. Although Hurry micromanaged Cayman Securities, Ruzicka is the individual that Hurry hired to ostensibly run the foreign broker-dealer's day-to-day operations in the Cayman Islands. RP 3098, 6203-06. Of Ruzicka's on-the-record testimony, Hurry states that the “NAC and the Hearing Panel improperly admitted and selectively credited [] Ruzicka's [on-the-record testimony];” Ruzicka's on-the-record testimony is “unreliable;” and

“Ruzicka[] demonstrated bias against [] Hurry.” Hurry Br. at 18-22. The Commission should reject Hurry’s self-serving arguments concerning Ruzicka’s on-the-record testimony and find that FINRA properly admitted and relied on the testimony.

a. Certain Communications Between Ruzicka and Applicants’ Counsel Necessitated the Admission of Ruzicka’s On-the-Record Testimony

It is essential to note that, in this instance, certain events prompted the Hearing Panel to admit the entirety of Ruzicka’s on-the-record testimony over the Applicants’ objections.⁵⁷ Ruzicka was never registered with FINRA and was never subject to FINRA’s jurisdiction. Ruzicka, however, voluntarily appeared for his on-the-record testimony, and he indicated that he would voluntarily appear to provide in-person testimony at the hearing. RP 3616-46. Two days before he was scheduled to provide his testimony at the hearing, Ruzicka changed his mind about appearing at the hearing. RP 3616-46.

Ruzicka changed his mind in response text messages that he had exchanged with Applicants’ counsel. RP 3616-46. Applicants’ counsel had sent Ruzicka text messages reporting to Ruzicka that FINRA’s Enforcement attorneys had been characterizing him as “hapless,” “malleable,” and “bereft of other options.” RP 3629. The text messages angered Ruzicka, and Ruzicka decided not appear to testify at the hearing in response to the messages. RP 3616-46.

⁵⁷ The Hearing Panel admitted the *entirety*, not portions, of Ruzicka’s on-the-record testimony. RP 3616-46. The availability of the entire transcript of Ruzicka’s on-the-record testimony provided the NAC with the opportunity to review Ruzicka’s testimony in its full context and to assess the proper weight it should be given.

b. The NAC Carefully Examined Gregory Ruzicka's On-the-Record Testimony and Gave the Testimony Its Proper Weight

After considering the events that precipitated the Hearing Panel's admission of Ruzicka's on-the-record testimony, the NAC carefully examined the testimony to determine whether the testimony was reliable and to ensure that it afforded the testimony its proper weight. RP 10921-23. For example, the NAC acknowledged that Ruzicka's on-the-record testimony constituted hearsay evidence. RP 10922. The NAC, however, determined that formal rules of evidence do not apply to FINRA disciplinary proceedings, and that hearsay evidence is admissible in FINRA disciplinary proceedings "and can provide the basis for findings of violation, regardless of whether the declarants testify." *Dep't of Enforcement v. McGuire*, Complaint No. 20110273503, 2015 FINRA Discip. LEXIS 53, at *23 (FINRA NAC Dec. 17, 2015); *see* FINRA Rule 9145(a) (explaining that formal rules of evidence do not apply in FINRA disciplinary cases).

After the NAC determined that Ruzicka's on-the-record testimony constituted admissible hearsay, the NAC examined whether Ruzicka's on-the-record testimony was reliable evidence. RP 10922. In assessing reliability, the NAC considered "the possible bias of the declarant, the type of hearsay at issue, whether the statements are signed and sworn to rather than anonymous, oral or unsworn, whether the statements are contradicted by direct testimony, whether the declarant was available to testify, and whether the hearsay is corroborated." *Scott Epstein*, Exchange Act Release No. 59328, 2009 SEC LEXIS 217, at *47 (Jan. 30, 2009) (quoting *Charles D. Tom*, 50 S.E.C. 1142, 1145 (1992)), *aff'd*, 416 F. App'x 142 (3d Cir. 2010). The application of those factors demonstrates the reliability of Ruzicka's on-the-record testimony.

Ruzicka testified under oath, and a professional court reporter transcribed his testimony. Ruzicka was not subject to FINRA's jurisdiction, was not available to testify at the hearing, and

declined to appear voluntarily to provide in person testimony at the hearing because of Applicants' counsel's text messages to him. Documentary evidence and testimony contained in the record, specifically, Craig D'Mura's hearing testimony, corroborated Ruzicka's on-the-record testimony. Finally, while Hurry contradicted some aspects of Ruzicka's on-the-record testimony, the Hearing Panel found that Hurry was not a credible witness. RP 10061-64. *See Rita J. McConville*, 58 S.E.C. 596, 608 n. 21 (2005) (observing that "[t]he credibility determination of an initial fact finder is entitled to considerable weight and deference because it is based on hearing the witnesses' testimony and observing their demeanor"), *aff'd*, 465 F.3d 780 (7th Cir. 2006). The Commission should affirm the NAC's findings concerning the reliability and admissibility of Ruzicka's on-the-record testimony.

c. The NAC Considered Gregory Ruzicka's Purported Bias Against Hurry and Ruzicka's Mental Health and Properly Determined That They Were Not Relevant to the Reliability of Ruzicka's On-the-Record Testimony

The Commission also should affirm the NAC's findings concerning the irrelevance of Ruzicka's purported bias against Hurry and Ruzicka's mental health. Hurry argues that "Ruzicka's demonstrated bias against Hurry" and "progressive mental deterioration" render Ruzicka's on-the-record testimony unreliable. Hurry Br. at 19-20, 23-25. That is simply not the case.

The NAC carefully reviewed Ruzicka's on-the-record testimony, and it determined that Ruzicka did not exhibit bias against Hurry. To the contrary, the NAC assessed Ruzicka's on-the-record testimony and opined that "Ruzicka evidently did not like the way Hurry treated him, [but] Ruzicka was truthful as to the facts and as to Hurry's intimidating and controlling manner." RP 10922. In addition, in an abundance of caution, the NAC also ensured that it relied only on those portions of Ruzicka's on-the-record testimony for which there was documentary or

testimony corroboration.⁵⁸ RP 10846, 10912. Consequently, to the extent that Ruzicka may have espoused bias against Hurry, the NAC's de novo review of the case ensured that the overall disciplinary proceeding against Hurry was fair and without bias. *See Robert E. Gibbs*, 51 S.E.C. 482, 484-85 (1993) (discussing how de novo review insulates against bias), *aff'd*, 25 F.3d 1056 (10th Cir. 1994) (table).

Hurry's arguments concerning the relevance of Ruzicka's mental health, and the impact of Ruzicka's mental health on his on-the-record testimony, are also without merit. For example, while Hurry touts a California Superior Court determination that Ruzicka was mentally incompetent to stand trial for several criminal charges, Hurry neglects to mention that the California Superior Court made that determination in June 2018, and that Ruzicka provided FINRA with his on-the-record testimony three years earlier, in May 2015. The NAC examined Ruzicka's on-the-record testimony in light of the concerns that Hurry raised about Ruzicka's mental health, and the NAC determined that the corroborating documentary evidence and testimony in the record cured any such concerns. The Commission therefore should affirm the NAC's findings.

⁵⁸ Hurry argues that the "Hearing Panel and the NAC chose only to believe the portions of [Ruzicka's on-the-record testimony] that were negative about [Hurry]." Hurry Br. at 22-23. Hurry argument is factually and legally flawed. The NAC's decision focused only on the portions of Ruzicka's on-the-record testimony for which there was corroboration. For example, several emails in the record support Ruzicka's on-the-record testimony concerning Hurry's micromanaging of Ruzicka, Craig D'Mura, and Cayman Securities' affairs, and D'Mura's hearing testimony corroborates Ruzicka's on-the-record testimony in several important aspects. RP 4640-41, 4628-29, 5941, 5945, 5949, 5953, 5987, 5997, 6212, 6272.

4. Hurry's "Tax-Driven" Reasons for Cayman Securities Do Not Undo the Fact That His Creation, Management, and Control of the Foreign Broker-Dealer Was Unethical and Violated FINRA's Rules

On appeal, Hurry attempts to justify his unethical conduct by highlighting the "tax-driven reasons" for his creation of Cayman Securities. Hurry Br. at 9-11. Although Hurry suggests that Cayman Securities served only one role – avoiding complex tax reporting – the fact is that the foreign broker-dealer also existed for a more sinister purpose. Cayman Securities was Hurry's invention to evade regulatory scrutiny. Regardless of another purpose, Cayman Securities served as a conduit to funnel microcap liquidation business to Scottsdale from the foreign financial institutions that brought Cayman Securities' business to it. In short, Cayman Securities was the entry point for hordes of foreign-initiated deposits of millions of shares of microcap securities.

Hurry not only formed Cayman Securities as the offshore conduit that funneled unregistered microcap shares to the US securities markets, Hurry also managed and controlled Cayman Securities' operations. He supplied its business. He identified an easy-to-control employee in Ruzicka, an individual that he knew was unqualified for the job and desperate for employment.⁵⁹ He concealed his involvement in Cayman Securities' business operations and his

⁵⁹ Hurry claims that hiring Ruzicka to run Cayman Securities was a reasonable business decision. Hurry Br. at 12-13. Hurry's claims push the boundaries of reasonableness. Prior to joining Cayman Securities, Ruzicka's legal practice focused on real estate ventures. RP 6180-86. Ruzicka did not advise on federal securities laws, and he had no experience with the liquidation of microcap securities, the registration requirements of the federal securities laws, or the exemptions that may apply to the offer or sale of certain categories of securities. RP 4605-06, 4613, 6180-86, 6188-90. Nevertheless, Hurry chose Ruzicka to manage a business as risky and complicated as Cayman Securities and its microcap securities liquidations. As Diekmann testified, Ruzicka would not have been his choice to run Cayman Securities because Ruzicka lacked securities experience, seemed disorganized, failed to follow instructions, and routinely sent materials to Scottsdale in a piecemeal and disorganized manner. RP 3100, 3104.

interactions and conversations with its customers.⁶⁰ He owned and controlled the downstream broker-dealer, Scottsdale,⁶¹ and the clearing firm that consummated the sales, Alpine Securities, all but assuring the seamless ushering of millions of restricted microcap shares from an individual owner to the securities market.

Hurry created this vertically-integrated microcap liquidation enterprise to facilitate the deposit and resale of millions of restricted microcap shares with minimal inquiry, oversight, and enforcement of the federal securities laws. Cayman Securities existed only because Hurry established and closely managed it. Given Ruzicka's lack of experience, qualifications, and contacts, Cayman Securities could not have survived without Hurry's involvement in it. Hurry's creation, management, and control of Cayman Securities was designed to avoid the protections that federal securities laws afford to the investing public, and his attempt to evade regulatory scrutiny was contrary to his duties as a security professional to act ethically. The Commission

⁶⁰ Hurry argues that his email practices and use of FaceTime were not unethical. Hurry Br. at 13-15. The NAC, however, never argued that Hurry's email practices and use of FaceTime were unethical. The NAC only cited Hurry's email practices and use of FaceTime as evidence of Hurry's attempts to conceal his activities with Cayman Securities and its customers. In assessing what weight to give this evidence, the NAC considered the Hearing Panel's determination that Hurry's testimony concerning his use of FaceTime as a cost-effective tool, and his difficulties with maneuvering his cell phone for conference calls, was not credible testimony. RP 3881-83, 10036.

⁶¹ Hurry asserts that the "creation of Cayman Securities did not change any of Scottsdale's work . . ." Hurry Br. at 11-12. That is the point. Cayman Securities made little economic sense. As Hurry and Henry Diekmann, Scottsdale's former Rule 144 Team manager and current president, testified, routing Montage Securities', Titan Securities', and Unicorn Securities' business through Cayman Securities was only a little less expensive for customers than dealing with Scottsdale directly. RP 6272, 6275. Yet, Hurry incurred substantial expenses to set up and staff the extra office in the Cayman Islands. RP 3893-94. As Hurry testified, he expended "five or six figures" to run Cayman Securities, but, in return, he made "zero." RP 3893-94.

should affirm the NAC's findings that Hurry's creation, management, and control of Cayman Securities was unethical and violated FINRA Rule 2010.

E. Scottsdale and DiBlasi Failed to Establish and Maintain Supervisory Systems, Including WSPs, That Were Reasonably Designed to Prevent the Sale of Unregistered Microcap Securities, in Violation of NASD Rule 3010 and FINRA Rule 2010

Scottsdale and DiBlasi violated NASD Rules 3010(a) and 3010(b) and FINRA Rule 2010 because they failed to establish and maintain supervisory systems, including WSPs, that were reasonably designed to achieve compliance with Section 5 of the Securities Act.⁶² The Commission should affirm the NAC's findings.

NASD Rule 3010 requires that "[e]ach member shall establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD Rules." Qualified individuals must be identified including: "[t]he designation . . . of an appropriately registered principal(s) with authority to carry out the supervisory responsibilities of the member for each type of business in which it engages." NASD Rule 3010(a)(2). The rule further requires that the WSPs include the titles, registration status, locations, and responsibilities of each of its supervisory personnel, for the types of business the firm conducts. NASD Rule 3010(b)(3). Scottsdale and DiBlasi failed to meet these standards.

⁶² For purposes of liability, DiBlasi's conduct is imputed to Scottsdale. *See Midas Sec.*, 2012 SEC LEXIS 199, at *28 n.35 (explaining that the misconduct of the firm's registered representatives was imputed to the firm). The Commission should affirm this finding.

1. DiBlasi Was Responsible for Scottsdale's WSPs

The relevant period for Scottsdale's liquidation of the NHPI, VPLM, and ORFG microcap securities deposits was December 1, 2013 to June 30, 2014. DiBlasi became Scottsdale's CCO in October 2013 and continues to hold that position. RP 4261-63. The May 2013 WSPs and May 2014 WSPs assigned to DiBlasi, by name, the responsibility to "[e]stablish, maintain and update, as required," Scottsdale's rules and procedures. RP 6802, 6812.

With regard to the sales of unregistered securities, the May 2013 WSPs imposed several responsibilities on the CCO. The main body of the May 2013 WSPs included a section that addressed Rule 144 transactions. RP 6551-56. That section of the May 2013 WSPs was titled "Rule 144 Restricted and Control Stock Sales." RP 6551-56. In that section, the May 2013 WSPs set forth that the CCO was responsible for establishing procedures reasonably designed to ensure that a stock certificate was validly issued and owned by the customer. RP 6552. The May 2013 WSPs further stated that the CCO should establish procedures to ensure that the resale of a security was made in reasonable reliance on an exemption from registration, and they specified that the CCO was responsible for "developing and implementing policies and procedures that provide for the review, approval and resale of Rule 144 transactions." RP 6552.

The May 2013 WSPs and May 2014 WSPs also each included an Appendix A and an Appendix B, which assigned responsibilities by name. RP 6646-47, 6799-800. Appendix A listed principals of the Firm and branches. RP 6646, 6799. Appendix B assigned to DiBlasi, by name, the responsibility to establish, maintain, and update Scottsdale's rules and procedures, including Appendix A and Appendix B. RP 6647, 6800, 6802, 6812. Although Appendix B assigned to Cruz, Diekmann, and others operational tasks in conducting Rule 144 due diligence, it did not assign them responsibility for the WSPs. RP 6801-21. Therefore, once DiBlasi

became CCO in October 2013, he had both the authority and responsibility under the WSPs to update them if they were inaccurate. Because he did not, the NAC's finding is plainly correct that, from December 2013 to May 2014, DiBlasi had responsibility for the deficient WSPs. RP 10914-15.

DiBlasi argues that Scottsdale was in the process of correcting the "technical inaccuracy" in its WSPs in October 2013. DiBlasi Br. at 13. But this "correction" was not technical in any sense. The WSPs stated that the CCO was responsible for the written procedures designed to ensure that resales of securities qualified for an exemption from registration. RP 6552. When DiBlasi testified that he had no responsibility for the WSPs regarding liquidating unregistered shares, however, the Hearing Panel noted that DiBlasi conceded that the written delegation was to the CCO and not anyone else, and that it assessed his testimony that he had no responsibility as "astonishing." RP 9778, 9805. The NAC relied on this assessment, and DiBlasi has not established any basis to overcome this adverse credibility determination on appeal.⁶³ See *McConville*, 58 S.E.C. at 608 n. 21.

Moreover, the May 2014 WSPs introduce a new inaccuracy as to the responsibility for the WSPs. The "General Principal" is designated as responsible for developing procedures to ensure that a stock certificate was validly issued and owned by the customer, and that the resale of the security was made in reasonable reliance on a registration exemption. RP 6712. The May 2014 WSPs also state that the General Principal was responsible for developing and

⁶³ Cruz testified that he was not responsible for establishing, maintaining, or updating Scottsdale's WSPs. The Hearing Panel resolved the conflict between DiBlasi's and Cruz's testimony concerning responsibility for the Firm's WSPs against DiBlasi, which is supported by the May 2013 WSPs, May 2014 WSPs, and the Appendix B that accompanies each document. RP 9778, 9805.

implementing Rule 144 policies and procedures. RP 6712. The General Principal is defined in the May 2014 WSPs as the “Management Committee.” RP 6655. The four members of the Management Committee were DiBlasi, Cruz, Jay Noiman, and Liz Arndt. RP 3405-60, 4275-76, 4281-82, 4284-85, 4314. But the Management Committee was disbanded in January 2014, which means that it could not have any functional responsibility in May 2014. RP 4315. Accordingly, DiBlasi, who knew that the Management Committee had disbanded, was responsible for Scottsdale’s inaccurate WSPs.

Finally, even after the May 2014 WSPs were issued, DiBlasi was responsible for the WSPs for Rule 144 transactions. The WSPs still assigned – via Appendix B – DiBlasi by name as responsible for Scottsdale’s WSPs, including the WSPs for Rule 144 transactions. RP 6802, 6812. The Commission should affirm the NAC’s findings that DiBlasi was responsible for Scottsdale’s WSPs from December 1, 2013 to June 30, 2014.

2. Scottsdale’s WSPs Did Not Accurately Describe the Firm’s Microcap Securities Business or Designate a Specific Individual to Supervise the Rule 144 Review Process

The Commission should affirm the NAC’s findings that Scottsdale’s WSPs were inadequate. Written supervisory procedures must accurately reflect how a firm is operating its business to be part of an effective supervisory system. Scottsdale’s WSPs were not reasonably designed to ensure compliance with Section 5 of the Securities Act because they did not accurately describe how Scottsdale conducted its Rule 144 business, failed to clarify who was responsible for updating the WSPs, and did not designate a specific individual to supervise the Rule 144 review process.

This is particularly true for the May 2014 WSPs. The May 2014 WSPs were inaccurate because they delegated responsibility for developing procedures to comply with Rule 144 to a

“Management Committee” that no longer existed. RP 4315. DiBlasi testified that the Management Committee disbanded in January 2014, that Justine Hurry took on the Management Committee duties in February 2014, and that Cruz officially became Scottsdale’s president, and displaced the Management Committee, in March 2014. RP 4315. Despite the fact that Scottsdale’s management did not reappoint the Management Committee, the Firm modified its WSPs in May 2014 to supposedly give Rule 144 compliance to this now-defunct Management Committee. RP 4315, 6655, 6712.

3. Scottsdale’s WSPs Did Not Require a Searching Inquiry into the Selling Customers’ Beneficial Ownership

Scottsdale’s WSPs also were inadequate because the WSPs did not require a searching inquiry into the beneficial owners’ ownership of the NHPI, VPLM, and ORFG shares. The Commission should affirm these findings.

Written supervisory procedures must provide a “reliable mechanism” for identifying securities sales that should be investigated or halted. *See Midas Sec.*, 2012 SEC LEXIS 199, at *51. Scottsdale’s WSPs were not reasonably designed to achieve compliance with Section 5 of the Securities Act because they failed to require a searching inquiry into the identity of the purported beneficial owners of the microcap securities that the Firm was selling. The WSPs do not discuss the concept of nominees, and neither Henry Diekmann nor Cruz focused on the potential problem of nominees in conducting their supervisory review.

The Due Diligence Packages for the five deposits at issue demonstrate that the Scottsdale’s general practice for reviewing stock deposits was heavy on the papers it gathered, but there was no review or investigation of circumstances in which nominees might be concealing the identity of the true beneficial owners of the securities. For example, Diekmann

testified that he knew nothing about the supposed beneficial owner of Sky Walker (Patrick Gentle), except that the person was a customer of Unicorn Securities.

Scottsdale's inadequate WSPs contributed to the Firm's failure to consider if nominees were being used to conceal the identities of the beneficial owners its deposits. This failure is nothing short of spectacular in light of the four regulatory actions that involved Scottsdale's registered representatives and customers and included allegations that nominees had been used to facilitate fraud. *See SEC v. Ruettiger*, No. 2:11-cv-2011 (D. Nev. filed Dec. 16, 2011); *SEC v. Carrillo Huettel LLP*, No. 13 Civ. 1735 (S.D.N.Y. filed March 15, 2013); *SEC v. Gibraltar Global Sec., Inc.*, No. 13 Civ. 2575 (S.D.N.Y. filed Apr. 18, 2013); *SEC v. Tavella*, No. 13-cv-4609 (S.D.N.Y. filed July 3, 2013).

4. Scottsdale's Rule 144 Manual Did Not Fill the Gaps in the Firm's WSPs

DiBlasi argues that Scottsdale's "Rule 144 Manual" was designed to ensure Section 5 compliance."⁶⁴ DiBlasi Br. at 5-11. RP 6891-914. But the Rule 144 Manual was woefully inadequate and did little to fill the gaps in the Firm's WSPs.

For example, the Rule 144 Manual was notably inadequate with regard to investigating the backgrounds of customers and other key parties. It directed registered representatives to "[i]dentify key parties and search the internet . . . and the [Commission] website for regulatory hits," but it did not tell them what to search for or how. RP 6900. The searches documented in

⁶⁴ The actual title of the Rule 144 Manual is the "OTC Restricted Stock: Deposits, Resales and Transfers of OTC Securities." RP 6891-914. The Rule 144 Manual became effective in November 2012. It is not evident from the Rule 144 Manual, however, if the document was in effect between December 2013 and June 2014, or if the document was subject to any updating. Scottsdale's WSPs also do not reference the Rule 144 Manual, and it is not clear how the WSPs and the Rule 144 Manual interacted, if at all.

the Due Diligence Packages for the five subject deposits reflect the ineffectuality of the Rule 144 Manual.

The provisions in the Rule 144 Manual pertaining to issuers were similarly vague, directing registered representatives to review Commission filings (for reporting companies) and information available on “OTC Markets filings” (for non-reporting companies), but the Rule 144 Manual provided no direction as to what to look for other than the issuer’s own statements disclaiming shell status. RP 6898-99. The Rule 144 Manual also provided no guidance regarding customer addresses – important information in evaluating potential affiliate status or identifying nominees. The faultiness of Scottsdale’s Rule 144 Manual is reflected in the fact that Scottsdale had no process that required it to cross-reference interested parties or listed beneficial owners within its own database – even when the same individuals and addresses appeared on multiple, purportedly “unrelated” accounts. RP 5869-71.

The Rule 144 Manual also required “a signed [Deposited Securities Request Form] from the client, which contains a representation regarding the affiliate status.” RP 6894, 6897. But in deposits that came through Cayman Securities, Scottsdale required such an attestation only from Cayman Securities, not from the beneficial owner who that purportedly owned the stock. Apart from the dubious value of obtaining such an attestation, Scottsdale’s representatives were confused about how the [Deposited Securities Request Form] was to be filled out with regard to customers who were acting for their subaccounts. RP 2989-94, 4205, 4249. Even Cruz, the principal in charge of approving Rule 144 deposits, conceded that he “just didn’t have a clear understanding or recollection” of what the form meant.⁶⁵ RP 2994.

⁶⁵ Cruz testified that he created the Rule 144 Manual, that DiBlasi had responsibility for updating those procedures, and that DiBlasi never had any role in the Rule 144 review process.

[Footnote continued on next page]

With regard to beneficial ownership, the only mention of the concept in the Rule 144 Manual appears in the context of assessing affiliate status based on the number of shares outstanding. RP 6896. At the hearing, Cruz sought to excuse this void by claiming that “the spirit” of beneficial owner identity was reflected in Scottsdale’s procedures. RP 3005-06. The Commission should not credit Scottsdale’s claims that the Rule 144 Manual ensured the Firm’s compliance with Section 5 of the Securities Act.

F. Scottsdale and Cruz Failed to Supervise Scottsdale’s Unregistered Microcap Securities Liquidation Business

Cruz had supervisory responsibility for Scottsdale’s microcap liquidation business.⁶⁶ RP 3033-35, 3496-98. Indeed, Cruz does not dispute that he had final approval authority over Rule 144 transactions, including the five deposits that occurred in this case. RP 3033, 3496-98. Cruz reviewed the Due Diligence Packages that the Rule 144 Team assembled, and he determined whether the documents and information contained in the Due Diligence Packages were sufficient to approve the microcap securities deposit. RP 3034-35. Cruz signed the Deposited Securities Checklist, which signified that he had given his approval. RP 8412, 8489, 8569, 8640, 8928.

1. Cruz Ignored Red Flags Related to Scottsdale’s Unregistered Microcap Liquidation Business

Cruz’s supervision was deficient in two aspects: (1) Cruz failed to analyze whether the Collins/NHPI Promissory Note, the Locksmith Financial/VPLM Verbal Line of Credit, and the

[cont’d]

RP 563-64, 582, 665-66. DiBlasi, for his part, disagreed on this point, testifying that he (DiBlasi) was not responsible for Rule 144 compliance or establishing policies and procedures relating to that business. RP 4263-64, 4269, 4294-95, 4318-19.

⁶⁶ For purposes of liability, Cruz’s conduct is imputed to Scottsdale. *See Midas Sec.*, 2012 SEC LEXIS 199, at *28 n.35.

Forward/ORFG Convertible Promissory Note were securities for purposes of the Rule 144 holding period; and (2) Cruz failed to investigate red flags associated with the five deposits.

Concerning the Rule 144 holding period, Cruz failed to supervise the Rule 144 team member's conclusions that the tacking basis for the five deposits qualified under the rules. Cruz did not even raise the question of whether the Collins/NHPI Promissory Note, the Locksmith Financial/VPLM Verbal Line of Credit, and the Forward/ORFG Convertible Promissory Note were, in fact, securities. Nor did he apply the relevant legal test – the family resemblance test – to determine whether the instruments were securities. Yet Cruz was a lawyer with years of experience with the securities laws. RP 2417-18, 5319-21. *See* Appendix D. He should have recognized the issue and addressed it. When he failed to do so, he failed to reasonably supervise Scottsdale's microcap liquidation business as it relates to the five deposits at issue here.

Cruz also failed to investigate a parade of red flags related to the NHPI, VPLM, and ORFG deposits. FINRA Regulatory Notice 09-05 put Scottsdale and Cruz on notice of the riskiness of the Firm's microcap securities deposits and should have prompted them to scrutinize the acceptance of the deposits more closely. *See FINRA Regulatory Notice 09-05*, 2009 FINRA LEXIS 7, at *8. Instead of heeding the warnings that FINRA provided, Scottsdale and Cruz ignored a host of red flags, which included:

- The NHPI, VPLM, and ORFG deposits consisted of large blocks of thinly traded, low-priced stocks that were issued by obscure companies.
- Cayman Securities established a pattern of making large deposits of thinly traded microcap stocks, selling the stocks, and wiring out the proceeds immediately.
- The NHPI, VPLM, and ORFG shares were recently issued, which is a warning that the issuer or its control persons could be conducting a distribution.

- Two of the issuers had business histories that suggested they were shell corporations. NHPI, which had been a pharmaceutical company, announced it was going into the oil and gas business only a few months before the deposit of NHPI securities at Scottsdale. ORFG, which had been an automotive detailing company, indicated it was considering conducting mineral exploration.
- Scottsdale's approach to verifying that an issuer was not a shell corporation was mainly to rely on representations by a principal of the issuer that the company was not a shell.

Scottsdale and Cruz should have investigated these red flags, but failed to do so.

“Decisive action is necessary whenever supervisors are made aware of suspicious circumstances, particularly those that have an obvious potential for violations.” *George J. Kolar, 55 S.E.C. 1009, 1016 (2002)*. As to the red flag for large deposits followed by wiring out the proceeds, there are additional details that make this situation more acute. Cruz knew that Cayman Securities was acting on behalf of its foreign financial institution customers, Montage Securities, Titan Securities, and Unicorn Securities, and that the foreign financial institutions, in turn, acted on behalf of other undisclosed individuals and entities. Despite these red flags, Scottsdale and Cruz did not investigate who ultimately received the funds from the microcap securities sales, did not know that path the funds traveled, and did not know who ultimately received the funds.

2. Cruz's Passive Approach to Supervision Did Little to Protect the Securities Markets from the Unlawful Distribution of Microcap Securities

Cruz's approach to supervision was essentially passive. Although Cruz testified that he did not recall seeing on Unicorn Securities' website the discussion of appointing a nominee officer or director to make sure that a person's name will not appear as an officer or director of a company, Cruz agreed that this website discussion could have been a red flag. RP 2645-46. Cruz's response to this potential red flag, however, was indicative of his problematic approach to supervision and handling of red flags as a whole. Cruz testified that he would have emphasized

to the interested parties that “they need to disclose the underlying beneficial owner.” RP 2645-46. Cruz’s response was words, not scrutiny or investigation.

Cruz’s approach of seeking further assurances from the interested parties rather than conducting a searching inquiry is a glaring failure of his duty to adequately respond to red flags. Cruz should have sought independent verification of the identity of Unicorn Securities’ customers. But he did not. As Cruz himself admitted, “[w]e’re not chasing after red flags.” RP 2539. Although Cruz testified that he knew that Scottsdale was acting as a gatekeeper, and that broker-dealers play a critical role in helping to prevent illegal unregistered distributions of restricted securities into the public markets, he did not require further verification. RP 2424. The Commission should affirm the NAC’s findings that Scottsdale and Cruz failed to supervise, and adequately respond to red flags related to, Scottsdale’s microcap liquidation business.

3. Evidence of Scottsdale’s Rejection of Other Deposits Is Irrelevant

Cruz argues that he “rejected a total of approximately 46% of all deposits proposed by [Cayman Securities],” and that Scottsdale “would not accept deposits totaling . . . more than 9.9% of the [issuer’s] outstanding stock.” Cruz Br. at 2, 9-10. RP 9256. Cruz incorrectly relies on Scottsdale’s deposit rejection rate to minimize his inadequate supervision.⁶⁷

The actions that Cruz may have taken for other proposed deposits is beside the point. The NAC specifically considered whether Cruz’s supervision of the five deposits was reasonably exercised to prevent violations of Section 5 of the Securities Act, and the NAC determined that it was not. RP 10920. *See Ronald Pellegrino*, Exchange Act Release No. 59125, 2008 SEC

⁶⁷ Cruz suggests that he implemented policy as a precautionary measure, but, as Diekmann testified, Scottsdale adopted the policy in direct response to *SEC v. Tavella*. RP 3072.

LEXIS 2843, at *50-51 (Dec. 19, 2008) (explaining that respondent's other supervisory steps were not a defense to the specific supervision violations that the Commission found).

The NAC also examined (and rejected) a summary exhibit, a chart, which Scottsdale and Cruz relied on to establish its rejection rates during the relevant period. RP 9256. Scottsdale and Cruz have resurrected this exhibit on appeal before the Commission. Cruz Br. at 2, 4, 41. The NAC, however, properly determined that the exhibit was not reliable.

As the NAC found, there is no explanation concerning how Henry Diekmann, the document's creator, compiled it. At the hearing before the Hearing Panel, Diekmann did not testify about how he created the document. He did not explain the bases for deposits that were "rejected" or discuss whether any deposit shown on the document was later resubmitted and accepted. The Commission should reject Scottsdale's and Cruz's assertion that the frequency of its deposit rejections demonstrates the adequacy of its supervision of its microcap liquidation business.

Finally, the Commission should reject Scottsdale's and Cruz's self-serving evidence of its rejection of deposits because, in at least one instance, Scottsdale and Cruz accepted a deposit that was contrary to their own criteria. Although Cruz and Scottsdale claim that they rejected deposits that totaled more than 9.9 percent on an issuer's outstanding shares (Cruz Br. at 9-10), they accepted the VPLM deposit. Documents in the Due Diligence Package for the VPLM deposit show that Richard Kipping, both directly and through Locksmith Financial, had received more than 80 million shares of VPLM between October 2011 and August 2013. RP 8639-40, 8678. Based on the 730 million shares that Scottsdale's Deposited Securities Checklist noted that VPLM had outstanding, Scottsdale and Cruz should have realized that Richard Kipping and

Locksmith Financial owned nearly 11 percent of VPLM, and that Richard Kipping may be deemed an affiliate of VPLM.⁶⁸ RP 8639-40, 8678. Scottsdale ignored this red flag and accepted the deposit from Cayman Securities. RP 8639-40, 8650-51.

4. The NAC Did Not Ignore the Context of the Deposits; Rather, Scottsdale's Due Diligence Packages Provided No Context for the Deposits

Cruz argues that the NAC ignored the context for the NHPI, VPLM, and ORFG deposits. Cruz Br. at 18-21. Cruz suggests that microcap issuers are “small, struggling operations that are resource constrained,” and that it is “through this prism that the Commission should evaluate the supposed ‘red flags.’” Cruz Br. at 19. Cruz’s argument misses the point.

It is Scottsdale’s and Cruz’s supervision of Scottsdale’s microcap liquidation business, their response to red flags related to five specific microcap securities deposits, and their approach to due diligence overall that are at issue – not the resources or the financial standing of microcap issuers. The record establishes that Scottsdale and Cruz took a laissez-faire attitude toward their supervisory responsibilities as it related to Scottsdale’s microcap securities liquidation business.

The transactions that culminated in the liquidation of the NHPI, VPLM, and ORFG shares through Scottsdale were wrought with red flags. And although Scottsdale and Cruz claim that their due diligence for the deposits was robust, the Due Diligence Packages for the five deposits provided no context for the deposits and did little to respond to the red flags entrenched in the deposits. To the contrary, Scottsdale’s Due Diligence Packages were essentially meaningless for the identification of nominees in the transactions, the true beneficial owners of

⁶⁸ Cruz argues that he knew that Richard Kipping’s ownership of VPLM shares was below 10 percent because of earlier sales of VPLM through the Firm. Cruz Br. at 23. Nothing in the Due Diligence Package for the VPLM deposit, however, supports Cruz’s unsubstantiated assertion.

the NHPI, VPLM, and ORFG shares, or the potentially unlawful distributions of microcap securities through the deposits. Scottsdale did not evaluate the information contained in the Due Diligence Packages, did not investigate red flags when its due diligence identified a potential issue, and did not independently verify the information received from interested parties to the transactions. The Commission should affirm the NAC's findings that Scottsdale and Cruz failed to supervise, and adequately respond to red flags concerning, Scottsdale's microcap liquidation business.

G. The Sanctions That the NAC Imposed on the Applicants Are Neither Excessive Nor Oppressive

The Commission's review of FINRA's sanctions is governed by Section 19(e)(2) of the Exchange Act, which requires the Commission to determine whether FINRA's sanctions are excessive or oppressive or impose an unnecessary or inappropriate burden on competition.⁶⁹ *See* 15 U.S.C. § 78s(e)(2) (2018); *Jack H. Stein*, 56 S.E.C. 108, 120-21 (2003). The NAC carefully reviewed and applied the Guidelines to impose sanctions for Scottsdale's, Hurry's, DiBlasi's, and Cruz's misconduct.⁷⁰ RP 10923-33.

1. The Sanctions Imposed on Scottsdale Are Appropriate in Light of Scottsdale's Disciplinary History

The NAC began by examining Scottsdale's disciplinary history, which is an aggravating factor for purposes of sanctions. RP 10924-25. *See Guidelines*, at 2 (General Principles Applicable to All Sanction Determinations, No. 2). Scottsdale has been disciplined previously for selling unregistered securities, having inadequate supervisory procedures and WSPs to detect

⁶⁹ The Applicants do not contend that FINRA's sanctions impose an undue burden on competition.

⁷⁰ *See FINRA Sanction Guidelines* (2018), http://www.finra.org/sites/default/files/Sanctions_Guidelines.pdf.

and prevent the sale of unregistered securities, and various other types of misconduct.⁷¹

Scottsdale's disciplinary history demonstrates that the Firm is unwilling or unable to comply with FINRA's rules or the securities laws, and that more severe sanctions are needed to "emphasize[] the need for corrective action after a violation has occurred, discourage[] future misconduct by the same respondent, and deter[] others from engaging in similar misconduct." *Id.*

a. Scottsdale's Sanctions for Selling Unregistered and Nonexempt Microcap Securities

Mindful that the Firm has been previously sanctioned for similar misconduct, the NAC examined the Firm's unregistered securities sales at issue. The Guidelines for the sale of unregistered securities advise adjudicators to consider a fine higher than \$146,000 if aggravating factors predominate the respondent's conduct. *See id.* at 24. The Guidelines set forth seven specific considerations to assist with the determination of whether aggravating factors predominate the misconduct. *See id.* The application of those factors plainly demonstrated that Scottsdale's unregistered securities sales involved aggravating factors, lacked mitigating factors, and merited significant sanctions.

The NAC noted that the transactions involved millions of shares of microcap issuers and resulted in proceeds of more than \$1.75 million. RP 10926. *See id.* The NAC properly concluded that this was an aggravating factor. RP 10926.

The NAC found that Scottsdale's conduct was intentional, and that it involved a high volume of, and recurring transactions in, penny stocks. RP 10926. *See id.* Despite the fact that

⁷¹ Scottsdale was the subject of four disciplinary events, which resulted in the assessment of approximately \$150,000 in fines against the firm. RP 10924-25.

microcap securities liquidations comprised the bulk of Scottsdale's business, Scottsdale failed to take meaningful steps to ensure its compliance with the federal securities laws.

The NAC considered Scottsdale's inadequate WSPs and failure to conduct due diligence for its risky transactions, even in the face of red flags. RP 10926. *See id.* The NAC also examined the evidence of other deposits that the Applicants proffered, and the NAC determined that the Due Diligence Packages for the three additional deposits were riddled with the same problems as the five deposits on appeal. *See id.* at 7 (Principal Considerations in Determining Sanctions, No. 8). The NAC concluded that Scottsdale's pattern of misconduct, coupled with its history of similar misconduct, presented a powerful aggravating factor.

Finally, the NAC found that the Commission's and FINRA's guidance on unlawful distributions of securities, and the Commission's regulatory actions involving Scottsdale's registered representatives and customers (*Ruettiger, Gibraltar I, Gibraltar II, and Tavella*), put the Firm on notice of the risk of sham transactions, the use of nominees to conceal beneficial ownership, and its potential to facilitate the unlawful distribution of securities. *See id.* at 8 (Principal Considerations in Determining Sanctions, No. 14).

Based on these facts, the NAC correctly found a host of aggravating factors, noted the dearth of mitigating ones,⁷² and imposed sanctions that were tailored to Scottsdale's misconduct. RP 10928. The NAC fined Scottsdale \$250,000 for each of the five violative deposits, for a total fine amount of \$1.25 million, for its unregistered securities sales, and it ordered the Firm to retain an independent consultant to monitor the Firm's acceptance and liquidation of microcap

⁷² The NAC contemplated whether Scottsdale should receive mitigation credit for its "voluntary adoption of corrective measures." The NAC noted that the Guidelines call for the implementation of corrective measures *prior to* detection by a regulator, and that any "corrective measures" that Scottsdale may have employed came *after* regulatory action or intervention.

securities deposits and review the Firm's supervisory procedures related to its microcap securities liquidation business. RP 10928-30. *See id.* at 3 (General Principles Applicable to All Sanction Determinations, No. 3). The Commission should affirm the NAC's sanctions.

b. Scottsdale's Sanctions for Its Supervisory Failures

The NAC imposed an aggregate fine of \$250,000 for Scottsdale's deficient WSPs and supervisory failures. For deficient WSPs, the Guidelines recommend a fine between \$1,000 and \$37,000. *See id.* at 107. In egregious cases, the Guidelines recommend that adjudicators consider suspending a firm with respect to any or all relevant activities or functions for up to 30 business days and thereafter until the supervisory procedures are amended to conform to the rule requirements. *See id.* The Guidelines for deficient WSPs direct adjudicators to consider whether deficiencies allowed the violative conduct to occur or to escape detection; and whether the deficiencies made it difficult to determine the individual or individuals responsible for specific areas of supervision or compliance. *See id.*

For a failure to supervise, the Guidelines recommend a fine between \$5,000 and \$73,000. *See id.* at 104. The Guidelines for a failure to supervise advise that adjudicators consider four factors: (1) whether respondent ignored "red flag" warnings that should have resulted in additional supervisory scrutiny; (2) whether individuals responsible for underlying misconduct attempted to conceal misconduct from respondent; (3) the nature, extent, size and character of the underlying misconduct; and (4) the quality and degree of supervisor's implementation of the firm's supervisory procedures and controls. *See id.* The application of these factors highlight the egregious nature of Scottsdale's supervisory violations.

Scottsdale's deficient WSPs facilitated the Firm's unlawful securities sales and allowed the unlawful securities sales to escape detection. The WSPs failure to provide guidance on dealing with discrepancies and suspicious circumstances related to Scottsdale's microcap

securities deposits allowed the members of Scottsdale's Rule 144 team to handle their due diligence in a rote fashion, without analyzing the information that they had collected.

The deficient WSPs also made it difficult to determine the individuals responsible for particular areas of supervision or compliance, lessened accountability at Scottsdale, and made regulatory oversight of the Firm's risky business activities difficult. Finally, the nature, extent, size, and character of the underlying misconduct presented a particularly aggravating factor. The transactions at issue were substantial, typical of the Firm's business, and seemingly built into the Firm's standard practice for processing deposits of microcap securities. Based on these facts, the NAC determined that an upward departure from the Guidelines was necessary to address Scottsdale's supervisory failures, and the NAC fined the firm \$250,000 for the two causes of action. The Commission should affirm these sanctions.

2. Hurry's Bar Is Neither Excessive Nor Oppressive

Hurry argues that the bar that the NAC imposed on him is "punitive" and "excessive." Hurry Br. at 31-32. Hurry's statements ignore the seriousness of his misconduct and the risks that his actions imposed on the investing public and the securities markets.

a. FINRA Maintains the Ability to Impose a Bar in Its Disciplinary Cases

Hurry asserts that the Supreme Court's opinion in *Kokesh v. SEC*, 137 S. Ct. 1635 (2017), calls into question FINRA's ability to impose a bar as a sanction for misconduct in FINRA disciplinary matters. Hurry Br. at 32. Hurry is mistaken. In *Kokesh*, the Supreme Court considered the narrow question of whether the five-year statute of limitations in 28 U.S.C. § 2462 applies to Commission disgorgement actions filed in federal district courts. *See* 137 S. Ct. at 1642 n.3. *Kokesh* leaves intact Section 15A of the Exchange Act, which mandates that

FINRA have rules allowing it to impose *bars*, suspensions, fines, and other fitting sanctions in its disciplinary proceedings. *See* 15 U.S.C. 78o-3(b)(7) (2018) (emphasis added).

There are a wealth of federal court and Commission opinions that establish that FINRA may impose non-compensatory sanctions, like a bar, that serve to protect investors, member firms, and the public interest from the violator. *See, e.g., PAZ Sec., Inc. v. SEC*, 566 F.3d 1172, 1175-76 (D.C. Cir. 2009) (sustaining debarment that was “to protect investors” and that redressed a “significant harm to the self-regulatory system”); *John D. Audifferen*, Exchange Act Release No. 58230, 2008 SEC LEXIS 1740, at *49 (July 25, 2008) (rejecting argument that a bar would serve no remedial purpose, and holding that “a bar [is] necessary to protect the investing public from harm”). Nothing in *Kokesh* overrules these numerous authorities.

b. A Bar Is the Appropriate Sanction for Hurry’s Unethical Conduct

The NAC’s imposition of a bar for Hurry’s unethical conduct is well supported by the record. Hurry created, managed, and controlled Cayman Securities, an enterprise whose purpose was to enable foreign nationals, or US citizens acting through foreign nominees, to sell large blocks of unregistered microcap securities of little-known issuers into the US securities markets. *See Guidelines*, at 8 (Principal Considerations in Determining Sanctions, No. 13). Hurry established Cayman Securities in a bank secrecy jurisdiction to avoid regulatory oversight. *See id.* at 7 (Principal Considerations in Determining Sanctions, No. 10). Instead of heeding the warnings from earlier regulatory actions and improving Scottsdale’s due diligence, Hurry knowingly facilitated the evasion of federal securities laws enacted to protect investors and the securities markets. He also sought by a variety of means to conceal his participation in the enterprise.

Based on these facts, the NAC properly found that Hurry's misconduct was purposeful, egregious, and antithetical to the underpinnings of securities regulation, and that Hurry posed a threat to investors and the integrity of the securities markets. RP 10931-32. Accordingly, the NAC barred Hurry. RP 10932. The Commission should affirm the bar.

3. DiBlasi's Suspension and Fine Are Neither Excessive Nor Oppressive

The Commission should affirm the two-year suspension in all capacities and \$50,000 fine that the NAC imposed on DiBlasi for his failure to establish and maintain Scottsdale's supervisory system, including the Firm's WSPs. For an individual respondent who is responsible for deficient WSPs, the Guidelines recommend a fine between \$1,000 and \$37,000.

See Guidelines, at 107. In egregious cases, the Guidelines recommend that adjudicators consider suspending the responsible individual for up to one year. *See id.*

Scottsdale's WSPs created only the appearance of a set of procedures designed to achieve compliance. They did not accurately reflect the way the Firm actually handled its Rule 144 deposits. For example, the WSPs did not accurately reflect DiBlasi's role at the Firm. Although DiBlasi was Scottsdale's CCO, he insisted he had nothing to do with the Firm's core, and nearly exclusive, business. DiBlasi testified that he generally performed back-office functions at Scottsdale. RP 4263-64, 4269, 4294-95, 4318-19.

Nevertheless, Scottsdale's May 2013 WSPs specified that the Firm's CCO, at that time, DiBlasi, was responsible for developing and implementing policies and procedures that provide for the review, approval and resale of Rule 144 transactions. RP 6552. And the May 2013 WSPs and May 2014 WSPs listed DiBlasi by name as responsible for Scottsdale's WSPs, including the WSPs related to Rule 144 transactions. RP 6802, 6812.

DiBlasi abdicated his responsibilities and failed to ensure that Scottsdale's WSPs reflected the Firm's operations and were tailored to address the risks associated with the Firm's primary business function, the deposit and liquidation of microcap securities. The result of DiBlasi's abdication was serious infractions of the federal securities laws. Based on these facts, the NAC properly determined that DiBlasi's supervisory violation was egregious, and that his demonstrated failure to appreciate the extent and seriousness of the responsibilities he took on warranted significant sanctions. RP 10932-33. The Commission should affirm these sanctions.

4. Cruz's Suspension and Fine Are Neither Excessive Nor Oppressive

The Commission should also affirm the suspension and fine that the NAC imposed on Cruz for his failure to supervise Scottsdale's microcap liquidation business. For an individual who fails to supervise, the Guidelines recommend a fine between \$5,000 and \$73,000. *See Guidelines*, at 104. The Guidelines also advise adjudicators to consider suspending the responsible individual in all supervisory capacities for up to 30 business days. *See id.* In egregious cases, the Guidelines recommend a suspension of the responsible individual in any or all capacities for up to two years or barring the responsible individual. *See id.*

Cruz's misconduct was egregious. Everyone at Scottsdale relied on Cruz for Rule 144 compliance. As an attorney and an experienced securities industry veteran, Cruz was better equipped than others at the Firm to recognize and respond to red flags to prevent the Firm's unregistered securities sales.

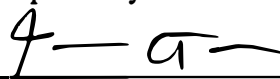
Despite his years of training, experience, and expertise, Cruz ignored conspicuous red flags when he approved the five deposits at issue. Under Cruz's supervision, Scottsdale's handling of transactions for foreign nationals acting through foreign financial institutions carried amplified risks, and Cruz's perfunctory and ineffectual supervision ushered those risks to

unsuspecting public investors and securities markets. Cruz knew that he was critical to Scottsdale's performance of its gatekeeping duty (RP 2424), and he did little to prevent the unlawful securities sales that occurred in this case. Based on these facts, the NAC decided to suspend Cruz from associating with any FINRA member firm in any capacity for two years and to fine him \$50,000.⁷³ The Commission should affirm these sanctions.

V. CONCLUSION

The record in this case conclusively supports the NAC's findings, and the Commission should therefore affirm the NAC's decision.

Respectfully Submitted,



Jante Turner
Associate General Counsel
FINRA – Office of General Counsel
1735 K Street, NW
Washington, DC 20006
202-728-8317 – Telephone
202-728-8264 – Facsimile
jante.turner@finra.org – Electronic Mail

November 13, 2018

⁷³ The NAC chose to suspend Cruz in all capacities because his supervisory failures reached all aspects of how Scottsdale Capital Advisors operated. RP 10933.

APPENDIX A

Notice

CRD® or IARD(TM) Information: This report contains information from the CRD (Central Registration Depository) system, or the IARD system (Investment Advisers Registration Depository), which are operated by FINRA, a national securities association registered under the Securities Exchange Act of 1934. The CRD system primarily contains information submitted on uniform broker-dealer and agent registration forms and certain other information related to registration and licensing. The IARD system primarily contains information submitted on uniform investment adviser and agent registration forms and certain other information related to registration and licensing. The information on Uniform Forms filed with the CRD or IARD is deemed to have been filed with each regulator with which the applicant seeks to be registered or licensed and shall be the joint property of the applicant and such regulators. The compilation constituting the CRD database as a whole is the property of FINRA. Neither FINRA nor a participating regulator warrants or guarantees the accuracy or the completeness of the CRD or IARD information. CRD information consists of reportable and non-reportable information. FINRA operates the CRD system in its capacity as a registered national securities association and pursuant to an agreement with the North American Securities Administrators Association, Inc. (NASAA). FINRA operates the IARD system as a vendor pursuant to a contract with the Securities and Exchange Commission and undertakings with NASAA and participating state regulators. Reportable Information: Information that is required to be reported on the current version of the uniform registration forms. Non-Reportable Information: Information that is not currently reportable on a uniform registration form. Information typically is not reportable because it is out-of-date; it was reported in error; or some change occurred either in the disposition of the underlying event after it was reported or in the question on the form that elicited the information. Although not currently reportable, this information was once reported on a uniform form and, consequently, may have become a state record. Users of this information should recognize that filers have no obligation to update non-reportable data; accordingly, it may not reflect changes that have occurred since it was reported.

Details for Request# 21654884

Report: Snapshot - Firm

Parameter Name	Value
Organization CRD #	118786
Snapshot Type	BD
Include Current Administrative Information?	YES
Include Current Reportable Disclosure Information?	YES
Include Current Non-Reportable Disclosure Information?	YES
User Initials	MAC

Organization CRD#: 118786 Organization SEC#: 8-53685
IRS#: 86-1032510 FINRA District: 3-Denver
Business Name: SCOTTSDALE CAPITAL ADVISORS CORP

Administrative Data:

Applicant Name: SCOTTSDALE CAPITAL ADVISORS CORP

Main Office Address: **Phone:** 480-603-4900
7170 E. MCDONALD RD. SUITE 6
SCOTTSDALE AZ, AZ 85253

Mailing Office Address:
7170 E. MCDONALD RD. SUITE 6
SCOTTSDALE AZ, AZ 85253
USA

Contact: HENRY DIEKMANN, PRESIDENT **Phone:** 480-603-4906

Registrations:

Regulator	Registration Status	Effective Date
Alabama	Approved	06/07/2002
Alaska	Approved	06/10/2002
Arizona	Approved	05/28/2002
Arkansas	Approved	05/31/2002
California	Approved	06/07/2002
Colorado	Approved	06/05/2002
Connecticut	Approved	05/24/2002
Delaware	Approved	06/06/2002
District of Columbia	Approved	02/08/2002
FINRA	Approved	05/22/2002
Florida	Approved	06/11/2002
Georgia	Approved	05/24/2001
Hawaii	Approved	05/30/2002
Idaho	Approved	05/24/2002
Illinois	Approved	05/30/2002
Indiana	Approved	05/29/2002
Iowa	Approved	05/29/2002
Kansas	Approved	05/28/2002
Kentucky	Approved	05/29/2002
Louisiana	Approved	06/05/2002
Maine	Approved	05/24/2002

Regulator	Registration Status	Effective Date
Maryland	Approved	05/29/2002
Massachusetts	Approved	05/24/2002
Michigan	Approved	12/20/2001
Minnesota	Approved	05/23/2002
Mississippi	Approved	06/12/2002
Missouri	Approved	06/04/2002
Montana	Approved	05/28/2002
NYSE Arca, Inc.	Terminated	04/24/2014
Nasdaq Stock Market	Terminated	10/03/2013
Nebraska	Approved	05/30/2002
Nevada	Approved	06/04/2002
New Hampshire	Approved	05/05/2009
New Jersey	Approved	06/03/2002
New Mexico	Approved	06/04/2002
New York	Approved	06/11/2002
North Carolina	Approved	05/29/2002
North Dakota	Approved	05/24/2002
Ohio	Approved	05/31/2002
Oklahoma	Approved	05/29/2002
Oregon	Approved	06/17/2002
Pennsylvania	Approved	05/29/2002
Puerto Rico	Approved	06/12/2002
Rhode Island	Approved	05/24/2002
South Carolina	Approved	06/11/2002
South Dakota	Approved	05/31/2002
Tennessee	Approved	06/26/2007
Texas	Approved	03/19/2002
United States Securities and Exchange Commission	Approved	05/22/2002
Utah	Approved	05/24/2002
Vermont	Approved	06/24/2002
Virgin Islands	Approved	04/28/2009
Virginia	Approved	05/24/2002
Washington	Approved	05/29/2002
West Virginia	Approved	05/29/2002
Wisconsin	Approved	05/23/2002
Wyoming	Approved	06/13/2002

Legal Status: Corporation Month Fiscal Year Ends: June
 State/Country of Formation: Arizona, USA Date of Formation: 06/30/2001

Disclosure Questions:

Yes Answers: 11D(2), 11D(4), 11D(5), 11E(2), 11E(4), 11G
No Answers: 11A(1), 11A(2), 11B(1), 11B(2), 11C(1), 11C(2), 11C(3),
 11C(4), 11C(5), 11D(1), 11D(3), 11E(1), 11E(3), 11F,
 11H(1)(a), 11H(1)(b), 11H(1)(c), 11H(2), 11I(1),
 11I(2), 11J, 11K
Unanswered:

Non Disclosure Questions:

Yes Answers: 2A, 2B, 7, 8A, 8B, 8C, 10A, 13B
No Answers: 2C, 2D, 5, 6, 9A, 9B, 10B, 13A
Unanswered:

Types of Business: BDD, BDR, GSB, IAD, MFR, MSB, NEX, OTH, OTHER
 NON-SECURITIES, PCB, PLA, VLA

Direct Owners and Executive Officers:

Full Legal Name	D/F/I
DIBLASI, TIMOTHY BRIAN	I
Title or Status: CHIEF COMPLIANCE OFFICER	
Date Acquired: 10/01/2013 Ownership Code: NA	
Control Person: Y Public Company: N ID #: 4623652	
DIEKMANN, HENRY WILLIAM	I
Title or Status: DIRECTOR	
Date Acquired: 02/01/2018 Ownership Code: NA	
Control Person: Y Public Company: N ID #: 5346381	
GEORGE, KENNETH RONALD	I
Title or Status: FINOP	
Date Acquired: 01/01/2013 Ownership Code: NA	
Control Person: N Public Company: N ID #: 2643369	
SCOTTSDALE CAPITAL ADVISORS HOLDINGS LLC	DE
Title or Status: SOLE SHAREHOLDER	
Date Acquired: 07/01/2002 Ownership Code: E	
Control Person: Y Public Company: N ID #: 01-0645065	

Direct Owners and Executive Officers (cont):

Full Legal Name				D/F/I
VALIC, SABINA				I
Title or Status:	CHIEF OPERATIONS OFFICER			
Date Acquired:	03/01/2017	Ownership Code:	NA	
Control Person:	Y	Public Company:	N	ID #: 4304928

Indirect Owners:

Full Legal Name				D/F/I
SCA CLEARING LLC				DE
Entity Owned:	SCOTTSDALE CAPITAL DVISORS HOLDINGS LLC			
Status:	MANAGER	Date Acquired:	07/01/2017	
Ownership Code:	F	Control Person:	Y	
Public Company:	N	ID#:	45-3835211	

Other Business Names:

<<No Other Business Names for this Organization.>>

Other Business Descriptions:

Item	Filing Date	Description
12Z	11/19/2007	ADVISORY FEES: INCLUDING INVESTMENT BANKING, MERGER & ACQUISITION, CORPORATE FINANCE, AND CONSULTING FEES. UNDERWRITER OR SELLING GROUP PARTICIPANT IN BEST-EFFORTS AND FIRM-COMMITMENT OFFERINGS.
13B	11/19/2007	MORTGAGE LOAN ORIGINATIONS, AS WELL AS LIFE AND HEALTH INSURANCE.

Succession Information:

<<No Succession Information found for this Organization.>>

Introducing Arrangements:

Item#: 7
Name: ALPINE SECURITIES CORPORATION
Address: 440 EAST 400 SOUTH
SALT LAKE CITY, UT 84111 USA
CRD#: 14952 Effective Date: 03/03/2009
Description: ALPINE WILL PROVIDE CLEARING, TRADING AND SUPORT FOR SCA

Custody and Clearing Arrangements:

Item#: 8C
Name: ALPINE SECURITIES CORPORATION
Address: 440 EAST 400 SOUTH
SALT LAKE CITY, UT 84111 USA
CRD#: 14952 Effective Date: 03/03/2009
Description: ALPINE WILL MAINTAIN ACCOUNTS, FUNDS AND SECURITIES OF CUSTOMERS

Item#: 8B
Name: ALPINE SECURITIES CORPORATION
Address: 440 EAST 400 SOUTH
SALT LAKE CITY, UT 84111 USA
CRD#: 14952 Effective Date: 03/03/2009
Description: ALPINE WILL MAINTAIN FUNDS ACCOUNTS AND SECURITIES OF THE APPLICANT

Item#: 8A
Name: ALPINE SECURITIES CORPORATION
Address: 440 EAST 400 SOUTH
SALT LAKE CITY, UT 84111 USA
CRD#: 14952 Effective Date: 03/03/2009
Description: ALPINE WILL MAINTAIN RECORDS FOR SCA.

Reportable Disclosure:

Occurrence: 1478160 Disclosure Type: Regulatory Action
FINRA Public Disclosable: Y Reportable: Y
Disclosure Review Comments:

Form: BD Received: 10/22/2009
Source: Organization CRD# 118786
Questions: 11E2

Part I

<<No Part I information for this DRP.>>

Part II

Regulatory Action DRP Content

1. Regulatory Action Initiated By:

FINRA

2. Principal Sanction:

Other Sanctions:

3. Date initiated: 09/28/2009

4. Docket/Case Number:

2007008075101

5. Employing Firm:

6. Principal Product Type:

Debt - Corporate

Other Product Types:

7. Allegations:

NASD RULES 2110, 2440, NASD INTERPRETATIVE MATERIAL-2440 - SCOTTSDALE CAPITAL ADVISORS CORP. BOUGHT CORPORATE BONDS FROM CUSTOMERS AND FAILED TO BUY SUCH BONDS AT A PRICE THAT WAS FAIR, TAKING INTO CONSIDERATION ALL RELEVANT CIRCUMSTANCES, INCLUDING MARKET CONDITIONS WITH RESPECT TO EACH BOND AT THE TIME OF TRANSACTION, THE EXPENSE INVOLVED AND THAT THE FIRM WAS ENTITLED TO A PROFIT

8. Current Status: Final

9. Appealed to:

10. Resolution:

Acceptance, Waiver & Consent (AWC)

11. Resolution Date/Explanation: 09/28/2009

12. (A) Resolution Detail:

Monetary Sanction (Amount: \$7500), Censure Sanction

Reportable Disclosure:

(B) Other Sanctions Ordered:

NONE

(C) Sanction Detail:

NONE

13. Summary:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$7,500. THE FIRM PROVIDED EVIDENCE THAT RESTITUTION WAS MADE TO THE IDENTIFIED CUSTOMERS.

Form: U6 Received: 10/01/2009
Source: FINRA
Questions:

Part I

<<No Part I information for this DRP.>>

Part II

Regulatory Action DRP Content

1. Regulatory Action Initiated By:

FINRA

2. Principal Sanction:

Other Sanctions:

3. Date initiated: 09/28/2009

4. Docket/Case Number:

2007008075101

5. Employing Firm:

6. Principal Product Type:

Debt - Corporate

Other Product Types:

7. Allegations:

NASD RULES 2110, 2440, NASD INTERPRETATIVE MATERIAL-2440 - SCOTTSDALE CAPITAL ADVISORS CORP. BOUGHT CORPORATE BONDS FROM CUSTOMERS AND FAILED TO BUY SUCH BONDS AT A PRICE THAT WAS FAIR, TAKING INTO CONSIDERATION ALL RELEVANT CIRCUMSTANCES, INCLUDING MARKET CONDITIONS WITH RESPECT TO EACH BOND AT THE TIME OF TRANSACTION, THE EXPENSE INVOLVED AND THAT THE FIRM WAS ENTITLED TO A PROFIT.

8. Current Status: Final

9. Appealed to:

Reportable Disclosure:

- 10. **Resolution:**
 - Acceptance, Waiver & Consent (AWC)
- 11. **Final Order:** No
- 12. **Resolution Date/Explanation:** 09/28/2009
- 13. **(A) Resolution Detail:**
 - Monetary Sanction (Amount: \$7500), Censure Sanction
- (B) Other Sanctions Ordered:**
- (C) Sanction Detail:**
 - WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$7,500. THE FIRM PROVIDED EVIDENCE THAT RESTITUTION WAS MADE TO THE IDENTIFIED CUSTOMERS.
- 14. **Comment:**

Reportable Disclosure:

Occurrence: 1533312 Disclosure Type: Regulatory Action
FINRA Public Disclosable: Y Reportable: Y
Disclosure Review Comments:

Form: BD Received: 12/07/2011
Source: Organization CRD# 118786
Questions: 11E2, 11E4

Part I

A. Person or Entity for which this DRP is being filed is(are):

Applicant and One or more Control Affiliates
Control Affiliate/Individual Name: HURRY, JUSTINE
CRD#: 2765969
Type of Control Affiliate: Individual
Registered: Yes

B. If Control Affiliate is registered through CRD, has Control
Affiliate submitted a DRP or BD DRP? Yes

Part II

Reportable Disclosure:
Regulatory Action DRP Content

1. **Regulatory Action Initiated By:**
FINRA DEPARTMENT OF ENFORCEMENT
2. **Principal Sanction:**
Suspension
Other Sanctions:
3. **Date initiated:** 10/21/2010
4. **Docket/Case Number:**
2008011593301
5. **Employing Firm:**
SCOTTSDALE CAPITAL ADVISORS
6. **Principal Product Type:**
Penny Stock(s)
Other Product Types:
UNREGISTERED SHARES
7. **Allegations:**
SEC SECTION 5 OF THE SECURITIES ACT OF 1933, FINRA RULE 2010, NASD RULES 2110, 3010(A) AND (B), 3010(C)(1)(A), 3010(C)(2), 3011(A) AND (B), 3012, 3013: THE FIRM'S AML PROCEDURES STATED THAT THE FIRM WOULD MONITOR A SUFFICIENT AMOUNT OF ACCOUNT ACTIVITY TO PERMIT IDENTIFICATION OF UNUSUAL SIZE, VOLUME, PATTERN OR TYPE OF TRANSACTIONS OR ANY OF THE "RED FLAGS" IDENTIFIED IN ITS PROCEDURES. THE FIRM'S WRITTEN AML PROGRAM REQUIRED HURRY, THE FIRM'S AML COMPLIANCE OFFICER, TO MONITOR FOR "RED FLAGS," TO INVESTIGATE ANY "RED FLAGS" DETECTED, TO DOCUMENT ANY SUCH INVESTIGATION AND FILE SUSPICIOUS ACTIVITY REPORT (SAR-SFS) WHEN APPROPRIATE. THE FIRM'S PROCEDURES IDENTIFIED A NUMBER OF RED FLAGS ASSOCIATED WITH ITS CUSTOMER AND CUSTOMER'S ACCOUNT. THE FIRM FAILED, HOWEVER, TO IMPLEMENT ITS AML PROCEDURES AS IT DID NOT ADEQUATELY MONITOR FOR AND/OR INVESTIGATE FACTS AND CIRCUMSTANCES PRESENT IN CERTAIN CUSTOMER ACCOUNTS THAT CONSTITUTED RED FLAGS AS DESCRIBED IN THE WRITTEN AML COMPLIANCE PROGRAM. THESE FACTS AND CIRCUMSTANCES AROSE AS A RESULT OF THE FIRM'S ASSOCIATION OF TWO REGISTERED REPRESENTATIVES WITH THE FIRM AND ACTIVITY INVOLVING CERTAIN CUSTOMER ACCOUNTS INTRODUCED TO THE FIRM BY THE REGISTERED REPRESENTATIVES, WHICH PRIMARY ACTIVITY OF THESE CUSTOMERS INVOLVED THE DEPOSIT AND IMMEDIATE LIQUIDATION OF LARGE POSITIONS OF LOW PRICED EQUITY SECURITIES. NEITHER HURRY NOR ANYONE AT THE FIRM TOOK STEPS TO MONITOR FOR THE DISCIPLINARY BACKGROUND RED FLAG. THE FIRM FAILED TO DEVELOP AND IMPLEMENT A SYSTEMATIC MEANS TO IDENTIFY CUSTOMERS WHOSE ACCOUNTS RAISED THE MULTIPLE ACCOUNT RED FLAG, AND NEITHER HURRY NOR ANYONE ELSE AT THE FIRM TOOK STEPS TO MONITOR FOR THIS RED FLAG, AND THEREFORE FAILED TO DETECT, AND INVESTIGATE FOR ACTIVITY THAT RAISED THE MULTIPLE

Reportable Disclosure:

ACCOUNT RED FLAG, THE PENNY STOCK RED FLAG, AND THE WIRE TRANSFER RED FLAG. NEITHER HURRY NOR ANYONE AT THE FIRM TOOK STEPS TO MONITOR FOR TRANSACTIONS TRIGGERING THE JOURNAL TRANSFER RED FLAG, THOUGH HURRY WAS AWARE GENERALLY THAT CUSTOMERS WERE ENGAGED IN JOURNAL TRANSFERS BETWEEN ACCOUNTS. HURRY AND THE FIRM FAILED TO INVESTIGATE WHETHER THESE TRANSFERS CONSTITUTED "RED FLAG" OR WHETHER THEY HAD LEGITIMATE PURPOSES. THE FIRM, ACTING THROUGH HURRY, FAILED TO IMPLEMENT ITS WRITTEN AML COMPLIANCE PROGRAM BY FAILING TO FILE SAR-SF FORMS TO REPORT SUSPICIOUS ACTIVITIES, AND THE FIRM ALSO FAILED TO FILE A FORM SAR-SF TO REPORT SUSPICIOUS ACTIVITY. THE FIRM'S CHIEF COMPLIANCE OFFICER FAILED TO CREATE, OR CAUSE HURRY TO CREATE A RECORD OF QUESTIONABLE BACKGROUND REVIEWS AND THE FIRM'S AML PROCEDURES PERTAINING TO THE DISCIPLINARY BACKGROUND RED FLAG WERE NOT SUFFICIENTLY SPECIFIC TO PROVIDE ANY MEANINGFUL GUIDANCE AS TO WHERE AND HOW THE FIRM WOULD LOOK FOR CUSTOMERS WITH QUESTIONABLE BACKGROUNDS, AS A RESULT THE FIRM WILLFULLY VIOLATED MSRB RULE G-41. THE FIRM UTILIZED A MEANS OF INTERSTATE COMMERCE IN CONNECTION WITH ITS SALES OF UNREGISTERED SHARES AND THE TRANSACTIONS WERE NOT EXEMPT FROM REGISTRATION. THE FIRM, ACTING THROUGH HURRY, FAILED TO DESIGNATE AND SPECIFICALLY IDENTIFY TO

8. **Current Status:** Final

9. **Appealed to:**

10. **Resolution:**

Decision & Order of Offer of Settlement

11. **Resolution Date/Explanation:** 11/14/2011

12. (A) **Resolution Detail:**

Monetary Sanction (Amount: \$125000), Suspension Sanction, Censure Sanction

(B) **Other Sanctions Ordered:**

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE IT IS CENSURED AND FINED \$125,000 (\$40,000 OF WHICH PERTAINS TO THE VIOLATIONS OF MSRB RULE G-41), WHICH INCLUDES THE DISGORGEMENT OF \$18,000 OF COMMISSIONS EARNED IN CONNECTION WITH VIOLATIVE SALES OF UNREGISTERED SECURITIES. WITHOUT ADMITTING OR DENYING THE ALLEGATIONS IN THE COMPLAINT, THE CONTROL AFFILIATE CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE

Reportable Disclosure:

CONTROL AFFILIATE IS SUSPENDED FROM ASSOCIATING WITH ANY MEMBER IN ANY PRINCIPAL CAPACITY (OTHER THAN FINOP) FOR 40 BUSINESS DAYS, AND FINED \$7,500.

(C) Sanction Detail:

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE IT IS CENSURED AND FINED \$125,000 (\$40,000 OF WHICH PERTAINS TO THE VIOLATIONS OF MSRB RULE G-41), WHICH INCLUDES THE DISGORGEMENT OF \$18,000 OF COMMISSIONS EARNED IN CONNECTION WITH VIOLATIVE SALES OF UNREGISTERED SECURITIES. CONTROL AFFILIATE IS SUSPENDED FROM ASSOCIATING WITH ANY MEMBER IN ANY PRINCIPAL CAPACITY (OTHER THAN FINOP) FOR 40 BUSINESS DAYS, BEGINNING ON DECEMBER 5, 2011 AND ENDING ON FEBRUARY 1, 2012.

13. Summary:

Form: U6 **Received:** 01/26/2015
Source: FINRA
Questions:

Part I

<<No Part I information for this DRP.>>

Reportable Disclosure:

Part II

Regulatory Action DRP Content

1. Regulatory Action Initiated By:

FINRA

2. Principal Sanction:

Other

Other Sanctions: N/A

3. Date initiated:

10/21/2010

4. Docket/Case Number:

2008011593301

5. Employing Firm:

6. Principal Product Type:

Other

Other Product Types:

LOW PRICED EQUITY SECURITIES

AND UNREGISTERED SHARES

7. Allegations:

SEC SECTION 5 OF THE SECURITIES ACT OF 1933, FINRA RULE 2010, NASD RULES 2110, 3010(A) AND (B), 3010(C)(1)(A), 3010(C)(2), 3011, 3011(A) AND (B), 3012, 3013, MSRB RULE G-41: THE FIRM'S AML PROCEDURES STATED THAT THE FIRM WOULD MONITOR A SUFFICIENT AMOUNT OF ACCOUNT ACTIVITY TO PERMIT IDENTIFICATION OF UNUSUAL SIZE, VOLUME, PATTERN OR TYPE OF TRANSACTIONS OR ANY OF THE "RED FLAGS" IDENTIFIED IN ITS PROCEDURES. THE FIRM'S WRITTEN AML PROGRAM REQUIRED THE FIRM'S AML COMPLIANCE OFFICER, TO MONITOR FOR "RED FLAGS," TO INVESTIGATE ANY "RED FLAGS" DETECTED, TO DOCUMENT ANY SUCH INVESTIGATION AND FILE SUSPICIOUS ACTIVITY REPORT (SAR-SFS) WHEN APPROPRIATE. THE FIRM'S PROCEDURES IDENTIFIED A NUMBER OF RED FLAGS ASSOCIATED WITH ITS CUSTOMER AND CUSTOMER'S ACCOUNT. THE FIRM FAILED, HOWEVER, TO IMPLEMENT ITS AML PROCEDURES AS IT DID NOT ADEQUATELY MONITOR FOR AND/OR INVESTIGATE FACTS AND CIRCUMSTANCES PRESENT IN CERTAIN CUSTOMER ACCOUNTS THAT CONSTITUTED RED FLAGS AS DESCRIBED IN THE WRITTEN AML COMPLIANCE PROGRAM. THESE FACTS AND CIRCUMSTANCES AROSE AS A RESULT OF THE FIRM'S ASSOCIATION OF TWO REGISTERED REPRESENTATIVES WITH THE FIRM AND ACTIVITY INVOLVING CERTAIN CUSTOMER ACCOUNTS INTRODUCED TO THE FIRM BY THE REGISTERED REPRESENTATIVES. THE FIRM FAILED TO DEVELOP AND IMPLEMENT A SYSTEMATIC MEANS TO IDENTIFY CUSTOMERS WHOSE ACCOUNTS RAISED THE MULTIPLE ACCOUNT RED FLAG, AND NEITHER THE COMPLIANCE OFFICER NOR ANYONE ELSE AT THE FIRM TOOK STEPS TO MONITOR FOR THIS RED FLAG, AND THEREFORE FAILED TO DETECT, AND INVESTIGATE FOR ACTIVITY THAT RAISED THE MULTIPLE ACCOUNT RED FLAG, THE PENNY STOCK RED FLAG, AND THE WIRE TRANSFER RED FLAG. THE FIRM FAILED TO INVESTIGATE WHETHER THESE TRANSFERS

Reportable Disclosure:

CONSTITUTED "RED FLAG" OR WHETHER THEY HAD LEGITIMATE PURPOSES. THE FIRM, ACTING THROUGH THE COMPLIANCE OFFICER, FAILED TO IMPLEMENT ITS WRITTEN AML COMPLIANCE PROGRAM BY FAILING TO FILE SAR-SF FORMS TO REPORT SUSPICIOUS ACTIVITIES, AND THE FIRM ALSO FAILED TO FILE A FORM SAR-SF TO REPORT SUSPICIOUS ACTIVITY. THE FIRM'S CHIEF COMPLIANCE OFFICER FAILED TO CREATE, OR CAUSE THE AML COMPLIANCE OFFICER TO CREATE A RECORD OF QUESTIONABLE BACKGROUND REVIEWS AND THE FIRM'S AML PROCEDURES PERTAINING TO THE DISCIPLINARY BACKGROUND RED FLAG WERE NOT SUFFICIENTLY SPECIFIC TO PROVIDE ANY MEANINGFUL GUIDANCE AS TO WHERE AND HOW THE FIRM WOULD LOOK FOR CUSTOMERS WITH QUESTIONABLE BACKGROUNDS, AS A RESULT THE FIRM WILLFULLY VIOLATED MSRB RULE G-41. THE FIRM UTILIZED A MEANS OF INTERSTATE COMMERCE IN CONNECTION WITH ITS SALES OF UNREGISTERED SHARES AND THE TRANSACTIONS WERE NOT EXEMPT FROM REGISTRATION. THE FIRM, ACTING THROUGH THE AML COMPLIANCE OFFICER, FAILED TO DESIGNATE AND SPECIFICALLY IDENTIFY TO FINRA AT LEAST ONE PRINCIPAL TO ESTABLISH, MAINTAIN AND ENFORCE A SYSTEM OF SUPERVISORY CONTROL POLICIES AND PROCEDURES, AND THE FIRM, ACTING THROUGH THE AML COMPLIANCE OFFICER, ALSO FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY CONTROL POLICIES AND PROCEDURES. THE FIRM FAILED TO ENFORCE ITS SUPERVISORY CONTROL PROCEDURES REQUIRING THE REVIEW AND SUPERVISION OF CUSTOMER ACCOUNT ACTIVITY CONDUCTED BY ITS

8. **Current Status:** Final

9. **Appealed to:**

10. **Resolution:**

Decision & Order of Offer of Settlement

11. **Final Order:** No

12. **Resolution Date/Explanation:** 11/14/2011

13. **(A) Resolution Detail:**

Monetary Sanction (Amount: \$125000), Censure Sanction

(B) Other Sanctions Ordered:

(C) Sanction Detail:

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE IT IS CENSURED AND FINED \$125,000 (\$40,000 OF WHICH PERTAINS TO THE VIOLATIONS OF MSRB RULE G-41), WHICH INCLUDES THE DISGORGEMENT OF \$18,000 OF COMMISSION EARNED IN CONNECTION WITH VIOLATIVE SALES OF UNREGISTERED SECURITIES. FINE PAID IN FULL ON DECEMBER 8, 2014.

Reportable Disclosure:

14. Comment:

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM, ACTING THROUGH ITS AML COMPLIANCE OFFICER, FAILED TO IMPLEMENT ITS WRITTEN AML COMPLIANCE PROGRAM BY NOT ADEQUATELY MONITORING AND/OR INVESTIGATING FACTS AND CIRCUMSTANCES PRESENT IN CERTAIN CUSTOMER ACCOUNTS THAT CONSTITUTED RED FLAGS, AND BY FAILING TO FILE SAR-SF FORMS TO REPORT SUSPICIOUS ACTIVITY. THE FIRM, ACTING THROUGH ITS CCO AND LEGAL COUNSEL, FAILED DOCUMENT RED FLAG INVESTIGATIONS. THE FIRM'S AML PROCEDURES PERTAINING TO DISCIPLINARY RED FLAGS WERE INADEQUATE. THE FIRM ALSO CAUSED THE SALE OF SECURITIES THAT WERE NEITHER REGISTERED NOR EXEMPT FROM REGISTRATION. THE FIRM, ACTING THROUGH ITS PRINCIPAL, FAILED TO DESIGNATE AND SPECIFICALLY IDENTIFY TO FINRA AT LEAST ONE PRINCIPAL TO ESTABLISH, MAINTAIN AND ENFORCE A SYSTEM OF SUPERVISORY CONTROL POLICIES AND PROCEDURES AS SET FORTH IN CONDUCT RULE 3012. THE FIRM, ACTING THROUGH ITS PRINCIPAL, FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY CONTROL POLICIES AND PROCEDURES PURSUANT TO CONDUCT RULE 3012. THE FIRM, ACTING THROUGH ITS PRINCIPAL, DID NOT SUBMIT AN ANNUAL REPORT TO FIRM MANAGEMENT DETAILING THE FIRM'S SYSTEM OF SUPERVISORY CONTROLS, THE SUMMARY OF TEST RESULTS AND SIGNIFICANT EXCEPTIONS, AND ANY ADDITIONAL OR AMENDED SUPERVISORY PROCEDURES IN RESPONSE TO THE TEST RESULTS. THE FIRM DID NOT COMPLETE ITS 3013 REPORT AS REQUIRED UNDER IM-3013 FOR TWO YEARS. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES AND RECORDS OF BRANCH AND HOME OFFICE INSPECTIONS WERE INADEQUATE. THE FIRM DID NOT ENFORCE ITS WRITTEN SUPERVISORY PROCEDURES PERTAINING TO LETTERS OF AUTHORIZATION. THE FIRM FILED SARS WHICH CONTAINED INACCURATE OR INCOMPLETE INFORMATION AND FILED SARS THAT FAILED TO PROVIDE ADEQUATE INFORMATION FOR DETERMINING THAT THE REPORTED ACTIVITY WAS SUSPICIOUS. THE FIRM FAILED TO ESTABLISH AND IMPLEMENT POLICIES AND PROCEDURES REASONABLY EXPECTED TO DETECT AND CAUSE THE REPORTING OF TRANSACTIONS REQUIRED UNDER 31 U.S.C. 5318(G) AND THE IMPLEMENTING REGULATIONS THEREUNDER. THEREFORE, THE FIRM CENSURED AND FINED \$125,000 (\$40,000 OF WHICH PERTAINS TO VIOLATIONS OF MSRB RULE G41), WHICH INCLUDES THE DISGORGEMENT OF \$18,000 OF COMMISSIONS EARNED IN CONNECTION WITH VIOLATIVE SALES OF UNREGISTERED SECURITIES. ADDITIONAL VIOLATIONS INCLUDED IN THE ORDER ACCEPTANCE OFFER OF SETTLEMENT INCLUDED FINRA RULE 3310(A), NASD RULES 3010, 3110, FOR SUPERVISORY SYSTEM WRITTEN

Reportable Disclosure:

Occurrence: 1628500 Disclosure Type: Regulatory Action
FINRA Public Disclosable: Y Reportable: Y
Disclosure Review Comments:

Form: BD Received: 10/01/2012
Source: Organization CRD# 118786
Questions: 11E2

Part I

<<No Part I information for this DRP.>>

Part II

Regulatory Action DRP Content

1. Regulatory Action Initiated By:
FINANCIAL INDUSTRY REGULATORY AUTHORITY
2. Principal Sanction:
Other
Other Sanctions: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO A CENSURE AND A FINE IN THE AMOUNT OF \$7,500.
3. Date initiated: 05/01/2012
4. Docket/Case Number:
20090206467
5. Employing Firm:
6. Principal Product Type:
No Product
Other Product Types:
7. Allegations:
FINRA ALLEGED FIRM VIOLATED NASD CONDUCT RULE 3010 AND FINRA CONDUCT RULE 2010 FOR FAILURE TO SUPERVISE JOSEPH PADDILLA REGARDING THE USE OF HIS NAME OR CRD NUMBER IN PRESS RELEASES AND RESEARCH REPORTS BY ENTITIES NOT ASSOCIATED WITH FIRM.
8. Current Status: Final
9. Appealed to:
10. Resolution:
Acceptance, Waiver & Consent (AWC)
11. Resolution Date/Explanation: 09/24/2012
12. (A) Resolution Detail:
Monetary Sanction (Amount: \$7500), Censure Sanction
(B) Other Sanctions Ordered:

Reportable Disclosure:

(C) Sanction Detail:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO A CENSURE AND FINE IN THE AMOUNT OF \$7,500. THE FIRM PAID THE ENTURE AMOUNT OF THE FINE. NO PRINCIPALS OR OTHER INDIVIDUALS WERE INCLUDED IN THE AWC DATED 9/27/2012.

13. Summary:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO A CENSURE AND FINE IN THE AMOUNT OF \$7,500. THE SUBJECT REPRESENTATIVE IS NO LONGER ASSOCIATED WITH THE FIRM AND THE MATTER IS CONSIDERED CLOSED.

Form: U6 **Received:** 10/15/2012
Source: FINRA
Questions:

Part I

<<No Part I information for this DRP.>>

Part II

Reportable Disclosure:
Regulatory Action DRP Content

1. **Regulatory Action Initiated By:**
FINRA
2. **Principal Sanction:**
Other
Other Sanctions: N/A
3. **Date initiated:** 09/24/2012
4. **Docket/Case Number:**
2009020646702
5. **Employing Firm:**
6. **Principal Product Type:**
No Product
Other Product Types:
7. **Allegations:**
FINRA RULE 2010 AND NASD RULE 3010: AN INDIVIDUAL ASSOCIATED WITH THE FIRM, PERMITTED HIS NAME TO BE UTILIZED IN STOCK PROMOTION PRESS RELEASES AND ON WEBSITES CREATED BY THREE RELATED PUBLIC RELATIONS FIRMS. THE PRESS RELEASES PUBLISHED BY THE PUBLIC RELATIONS FIRMS CONTAINED RECOMMENDATIONS OF SPECIFIC SECURITIES TO THE PUBLIC. THE RELEASES IMPLIED THAT THE RECOMMENDATIONS WERE MADE BY THE INDIVIDUAL, WHOM THEY IDENTIFIED BY NAME AND/OR CRD NUMBER, ALTHOUGH THEY ELSEWHERE CLAIMED THAT THE INDIVIDUAL HAD NO PART IN THE CREATION OF THE REPORTS OR RECOMMENDATIONS. SOME OF THE RELEASES STATED THAT THE INDIVIDUAL WAS A REGISTERED PERSON EMPLOYED BY THE PUBLIC RELATIONS FIRM WHEN HE WAS NOT. THE INDIVIDUAL NOTIFIED SCOTTSDALE OF THE POSSIBILITY OF HIS WORKING WITH THE PUBLIC RELATIONS FIRMS. THE FIRM ADVISED THE INDIVIDUAL THAT THE PUBLIC RELATIONS FIRMS COULD NOT USE HIS NAME AND CRD NUMBER AS PROPOSED, BUT THE WEBSITES PUBLISHED THE PRESS RELEASES WITH THE INDIVIDUAL'S NAME AND/OR CRD NUMBER. SCOTTSDALE KNEW OR SHOULD HAVE KNOWN THAT THE PRESS RELEASES WERE BEING ISSUED WITH THE INDIVIDUAL'S NAME AND/OR CRD NUMBER AND SHOULD HAVE TAKEN STEPS TO ENSURE THAT THE IMPROPER ACTIVITY CEASED. THE FIRM FAILED TO TAKE APPROPRIATE ACTION DESPITE BEING NOTIFIED REPEATEDLY OF CONCERNS ABOUT THE PRESS RELEASES.
8. **Current Status:** Final
9. **Appealed to:**
10. **Resolution:**
Acceptance, Waiver &
Consent (AWC)
11. **Final Order:** No

Reportable Disclosure:

- 12. Resolution Date/Explanation: 09/24/2012
- 13. (A) Resolution Detail:
 - Monetary Sanction (Amount: \$7500), Censure Sanction
- (B) Other Sanctions Ordered:
- (C) Sanction Detail:
 - WITHOUT ADMITTING OR DENYING THE FINDINGS THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE THE FIRM IS CENSURED AND FINED \$7,500. FINE PAID IN FULL ON SEPTEMBER 25, 2012.
- 14. Comment:

Reportable Disclosure:

Occurrence: 1774323 Disclosure Type: Regulatory Action
FINRA Public Disclosable: Y Reportable: Y
Disclosure Review Comments:

Form: BD Received: 08/16/2018
Source: Organization CRD# 118786
Questions: 11E2, 11G

Part I

A. Person or Entity for which this DRP is being filed is(are):
Applicant and One or more Control Affiliates
Control Affiliate/Individual Name: DIBLASI, TIMOTHY
BRIAN
CRD#: 4623652
Type of Control Affiliate: Individual
Registered: Yes

B. If Control Affiliate is registered through CRD, has Control
Affiliate submitted a DRP or BD DRP? Yes

A. Person or Entity for which this DRP is being filed is(are):
Applicant and One or more Control Affiliates
Control Affiliate/Individual Name: HURRY, JOHN JOSEPH
CRD#: 2146449
Type of Control Affiliate: Individual
Registered: Yes

B. If Control Affiliate is registered through CRD, has Control
Affiliate submitted a DRP or BD DRP? Yes

Reportable Disclosure:

Part II

Regulatory Action DRP Content

1. Regulatory Action Initiated By:

FINRA

2. Principal Sanction:

Disgorgement

Other Sanctions: IN ADDITION TO DISGORGEMENT, THE COMPLAINT REQUESTS OTHER UNSPECIFIED RELIEF.

3. Date initiated:

05/15/2015

4. Docket/Case Number:

2014041724601

5. Employing Firm:

6. Principal Product Type:

Penny Stock(s)

Other Product Types:

7. Allegations:

ON MAY 15, 2015, FINRA FILED A COMPLAINT AGAINST THE FIRM, AND INDIVIDUALS JOHN HURRY, TIMOTHY DIBLASI AND MIKE CRUZ, WHICH THE FIRM IS CONTESTING. THE COMPLAINT ALLEGES THAT THE FIRM VIOLATED FINRA RULE 2010 BY SELLING UNREGISTERED SHARES IN THREE LOW-PRICED STOCKS FOR A CUSTOMER THAT WERE NOT EXEMPT FROM REGISTRATION WITH THE SEC IN CONTRAVENTION OF SECTION 5 OF THE SECURITIES ACT OF 1933. THE COMPLAINT FURTHER ALLEGES THAT THE FIRM AND ITS THEN-PRESIDENT VIOLATED NASD RULE 3010(B) AND FINRA RULE 2010 BY NOT PERFORMING ADEQUATE INQUIRIES ON WHETHER THE CLAIMED REGISTRATION EXEMPTIONS APPLIED TO THE SALES OF THE THREE STOCKS. THE COMPLAINT ALSO ALLEGES THAT THE FIRM AND ITS CHIEF COMPLIANCE OFFICER VIOLATED NASD RULE 3010(A), (B) AND FINRA RULE 2010 BY NOT ESTABLISHING AND MAINTAINING A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH SECTION 5 FOR SALES OF UNREGISTERED LOW-PRICED STOCKS.

8. Current Status:

On Appeal

9. Appealed to:

APPEALED TO THE SEC 7/23/2018

10. Resolution:

Other

11. Resolution Date/Explanation:

07/23/2018

APPEALED DATE

12. (A) Resolution Detail:

(B) Other Sanctions Ordered:

ANY POTENTIAL SANCTIONS HAVE BEEN STAYED PENDING SEC REVIEW.

(C) Sanction Detail:

Reportable Disclosure:

ANY POTENTIAL SANCTIONS HAVE BEEN STAYED
PENDING SEC REVIEW.

13. Summary:

ON MARCH 31, 2017, A FINRA HEARING PANEL ISSUED A DECISION FINDING THAT THE FIRM VIOLATED: (1) FINRA RULE 2010 BY SELLING UNREGISTERED SECURITIES OF THREE ISSUERS WITHOUT AN EXEMPTION, CONTRARY TO SECTION 5 OF THE SECURITIES ACT OF 1933; AND (2) FINRA RULE 2010 AND NASD RULE 3010 BY FAILING TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH SECTION 5, AND BY FAILING TO SUPERVISE THE VIOLATIVE TRANSACTIONS. THE PANEL ASSESSED A FINE OF \$1.5 MILLION ON THE FIRM AND IMPOSED SANCTIONS ON THREE INDIVIDUALS. THE FIRM APPEALED THE DECISION TO FINRA'S NATIONAL ADJUDICATORY COUNCIL WHICH RULED IN FINRA'S FAVOR ON JULY 20, 2018. THE FIRM HAS APPEALED THE NAC DECISION TO THE SEC AND ALL SANCTIONS IMPOSED BY THE HEARING PANEL WILL BE STAYED PENDING A FINAL DECISION BY THAT BODY.

Form: U6 **Received:** 07/25/2018
Source: FINRA
Questions:

Part I

<<No Part I information for this DRP.>>

Part II

Reportable Disclosure:

Regulatory Action DRP Content

1. Regulatory Action Initiated By:

FINRA

2. Principal Sanction:

Other

Other Sanctions: N/A

3. Date initiated:

05/15/2015

4. Docket/Case Number:

2014041724601

5. Employing Firm:

6. Principal Product Type:

Other

Other Product Types:

MICROCAP STOCKS

7. Allegations:

THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT IT ENGAGED AND PARTICIPATED IN SALES OF SECURITIES THAT WERE NOT REGISTERED WITH THE SEC, IN TRANSACTIONS THAT WERE NOT EXEMPT FROM REGISTRATION, IN CONTRAVENTION OF SECTION 5 OF THE SECURITIES ACT OF 1933. THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH SECTION 5 OF THE SECURITIES ACT OF 1933 FOR SALES OF UNREGISTERED SHARES OF MICROCAP STOCKS. THE WSPS PROVIDED INSUFFICIENT GUIDANCE ON IDENTIFYING THE TRUE BENEFICIAL OWNERS OF MICROCAP STOCKS SOLD FOR CUSTOMERS INTRODUCED THROUGH FOREIGN FINANCIAL INSTITUTIONS. THE PROCEDURES FOR CONDUCTING A REASONABLE INQUIRY OF THE CIRCUMSTANCES SURROUNDING DEPOSITS AND SALES OF MICROCAP STOCKS FOR SUCH CUSTOMERS RELIED TOO HEAVILY ON INFORMATION OBTAINED FROM INTERESTED PARTIES. THE WSPS FAILED TO REQUIRE THAT THE INQUIRY INCLUDE APPROPRIATE INDEPENDENT DUE DILIGENCE AND ANALYSIS OF THE CLAIMED REGISTRATION EXEMPTIONS. THE COMPLAINT ALSO ALLEGES THAT THE FIRM FAILED TO CONDUCT REASONABLE INQUIRIES INTO THE CIRCUMSTANCES SURROUNDING THE ILLEGAL SALES OF STOCK BY THE FIRM FOR ANOTHER BROKER-DEALER. THE FIRM'S PRESIDENT/APPROVING PRINCIPAL PERFORMED INADEQUATE INQUIRIES ON THE CLAIMED REGISTRATION EXEMPTIONS FOR SALES OF THE MICROCAP STOCKS, DESPITE THE PRESENCE OF NUMEROUS "RED FLAGS" SUGGESTING THAT THE SALES WERE, OR COULD BE, ILLEGAL DISTRIBUTIONS OF UNREGISTERED STOCKS. ALTHOUGH THE PRESIDENT/APPROVING PRINCIPAL COLLECTED SOME DOCUMENTS AND INFORMATION ON THE DEPOSITS AND SALES, HE FAILED TO ADEQUATELY AND MEANINGFULLY ANALYZE THE COLLECTED DOCUMENTS AND INFORMATION-SOME OF WHICH WERE INCONSISTENT AND INCOMPLETE-AND

Reportable Disclosure:

ALSO FAILED TO INDEPENDENTLY VERIFY THE PROVIDED INFORMATION.

8. **Current Status:** On Appeal

9. **Appealed to:**
ON JULY 23, 2018, THIS MATTER WAS APPEALED TO THE SEC.

10. **Resolution:**
Other

11. **Final Order:** No

12. **Resolution Date/Explanation:** 07/23/2018
APPEALED DATE

13. (A) **Resolution Detail:**
(B) **Other Sanctions Ordered:**
(C) **Sanction Detail:**

14. **Comment:**
EXTENDED HEARING PANEL DECISION RENDERED MARCH 31, 2017 WHEREIN THE FIRM WAS FINED \$1,500,000 AND ORDERED TO PAY COSTS, JOINTLY AND SEVERALLY, IN THE AMOUNT OF \$22,124.29. THE SANCTIONS WERE BASED ON FINDINGS THAT THE FIRM, BY ENGAGING AND PARTICIPATING IN SALES OF SECURITIES THAT WERE NOT REGISTERED WITH THE SEC, IN TRANSACTIONS THAT WERE NOT EXEMPT FROM REGISTRATION, ACTED IN CONTRAVENTION OF SECTION 5 OF THE SECURITIES ACT OF 1933. THE FINDINGS STATED THAT THE FIRM'S INDIRECT OWNER, LIKewise ACTED IN CONTRAVENTION OF SECTION 5 OF THE SECURITIES ACT OF 1933 BY BEING A NECESSARY PARTICIPANT AND SUBSTANTIAL FACTOR IN THE SALES OF UNREGISTERED SECURITIES. THE FINDINGS ALSO STATED THAT THE FIRM, THROUGH ITS CHIEF COMPLIANCE OFFICER, FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, INCLUDING WSPS, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH SECTION 5 OF THE SECURITIES ACT OF 1933 FOR SALES OF UNREGISTERED SHARES OF MICROCAP STOCKS. THE WSPS PROVIDED INSUFFICIENT GUIDANCE ON IDENTIFYING THE TRUE BENEFICIAL OWNERS OF MICROCAP STOCKS SOLD FOR CUSTOMERS INTRODUCED THROUGH FOREIGN FINANCIAL INSTITUTIONS. IN ADDITION, THE FIRM'S PROCEDURES FOR CONDUCTING A REASONABLE INQUIRY OF THE CIRCUMSTANCES SURROUNDING DEPOSITS AND SALES OF MICROCAP STOCKS FOR SUCH CUSTOMERS RELIED TOO HEAVILY ON INFORMATION OBTAINED FROM INTERESTED PARTIES AND ALSO FAILED TO REQUIRE THAT THE INQUIRY INCLUDE APPROPRIATE INDEPENDENT DUE DILIGENCE AND ANALYSIS OF THE CLAIMED REGISTRATION EXEMPTIONS. THE FINDINGS ALSO INCLUDED THAT THE FIRM, THROUGH ITS PRESIDENT/APPROVING PRINCIPAL, FAILED TO CONDUCT REASONABLE INQUIRIES INTO THE CIRCUMSTANCES SURROUNDING THE ILLEGAL SALES OF STOCK BY THE FIRM FOR ANOTHER BROKER-DEALER. ON APRIL 26, 2017, THIS MATTER WAS APPEALED TO THE NATIONAL ADJUDICATORY COUNCIL (NAC) AND THE SANCTIONS ARE NOT IN EFFECT PENDING REVIEW. ON JUNE 20, 2017, AN AMENDED EXTENDED HEARING PANEL DECISION WAS ISSUED TO CORRECT A FACTUAL ERROR. THE AMENDMENT DOES NOT CHANGE THE SUBSTANCE OF THE

Reportable Disclosure:

DECISION AND REMAINS ON APPEAL WITH THE NAC. NAC DECISION RENDERED JULY 20, 2018, WHEREIN THE FIRM WAS FINED \$1,500,000 AND REQUIRED TO OBTAIN AN INDEPENDENT CONSULTANT TO MONITOR ITS ACCEPTANCE AND LIQUIDATION OF MICROCAP SECURITIES DEPOSITS AND REVIEW ITS SUPERVISORY PROCEDURES RELATED TO ITS MICROCAP SECURITIES LIQUIDATION BUSINESS. RESPONDENT WAS ORDERED TO PAY \$22,124.29, JOINTLY AND SEVERALLY, IN COSTS AND TO PAY, SEPARATELY, \$1,394.20 IN COSTS. THE NAC AFFIRMED THE FINDINGS AND

Reportable Disclosure:

Occurrence: 1846674 Disclosure Type: Regulatory Action
FINRA Public Disclosable: Y Reportable: Y
Disclosure Review Comments:

Form: BD Received: 12/11/2015
Source: Organization CRD# 118786
Questions: 11E2

Part I

<<No Part I information for this DRP.>>

Part II

Regulatory Action DRP Content

1. Regulatory Action Initiated By:
FINRA
2. Principal Sanction:
Civil and Administrative Penalt(ies) /Fine(s)
Other Sanctions:
3. Date initiated: 11/19/2015
4. Docket/Case Number:
20140399401-01
5. Employing Firm:
6. Principal Product Type:
Penny Stock(s)
Other Product Types:
7. Allegations:
THE FIRM, THROUGH ITS ORDER SENDING ORGANIZATIONS, TRANSMITTED TO
OATS 51 REPORTS THAT CONTAINED INACCURATE, INCOMPLETE, OR
IMPROPERLY FORMATTED DATA IN VIOLATION OF FINRA RULE 7450.
8. Current Status: Final
9. Appealed to:
10. Resolution:
Acceptance, Waiver &
Consent(AWC)
11. Resolution Date/Explanation: 11/19/2015
12. (A) Resolution Detail:
Monetary Sanction (Amount: \$10000), Censure Sanction
(B) Other Sanctions Ordered:
(C) Sanction Detail:
WITHOUT ADMITTING OR DENYING THE
FINDINGS, THE FIRM CONSENTED TO A

Reportable Disclosure:

CENSURE AND A FINE OF \$10,000.

13. Summary:

DURING THE RELEVANT TIME PERIOD SCA ENTERED ALL CUSTOMER ORDERS THROUGH THE ORDER ENTRY SYSTEM PROVIDED BY ITS CLEARING FIRM, WHO ACTED AS THE REPORTING AGENT FOR SCA. PURSUANT TO A WRITTEN AGREEMENT, THE CLEARING FIRM AGREED TO FILE OATS REPORTS ON BEHALF OF SCA. BECAUSE SCA IS THE REPORTING MEMBER (AS DEFINED IN FINRA RULE 7410) WITH RESPECT TO THE OATS REPORTS, SCA IS PRIMARILY RESPONSIBLE TO ENSURE THAT TIMELY, ACCURATE, AND COMPLETE INFORMATION IS REPORTED TO FINRA, EVEN IF REPORTED BY A 3RD PARTY VENDOR. ACCORDINGLY, SCA HAS IDENTIFIED AND CORRECTED THE ROOT CAUSE WHICH GAVE RISE TO THE OATS EXCEPTIONS NOTED IN THE AWC. ADDITIONALLY, SCA IMPLEMENTED ENHANCEMENTS TO ITS PROCEDURES TO REVIEW 3RD PARTY OATS REPORTS TO VERIFY THE ACCURACY OF THE DATA SUBMITTED ON BEHALF OF THE FIRM. THIS INCLUDES DAILY REVIEW BY THE FIRM'S TRADING MANAGER OF FINRA OATS REPORTS FOR REJECTIONS AND OUT OF SEQUENCE EVENTS, AS WELL AS A DAILY REVIEW OF OATS DATA SUBMITTED ON BEHALF OF THE FIRM. SCA RESOLVED THIS ISSUE VIA AN AWC IN WHICH THE FIRM NEITHER ADMITTED NOR DENIED THE FINDINGS AND AGREED TO A CENSURE AND FINE OF \$10K.

Form: U6 **Received:** 01/29/2016
Source: FINRA
Questions:

Part I

<<No Part I information for this DRP.>>

Reportable Disclosure:

Part II

Regulatory Action DRP Content

1. Regulatory Action Initiated By:

FINRA

2. Principal Sanction:

Other Sanctions:

3. Date initiated: 11/19/2015

4. Docket/Case Number:

2014039940101

5. Employing Firm:

6. Principal Product Type:

No Product

Other Product Types:

7. Allegations:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM, THROUGH ITS ORDER SENDING ORGANIZATIONS (OSOS), TRANSMITTED TO THE ORDER AUDIT TRAIL SYSTEM (OATS) REPORTS THAT CONTAINED INACCURATE, INCOMPLETE, OR IMPROPERLY FORMATTED DATA. THE FINDINGS STATED THAT ALTHOUGH THE FIRM'S OSOS MADE ERRORS WITH RESPECT TO THE FIRM'S SUBMISSIONS TO OATS, THE FIRM IS RESPONSIBLE FOR ENSURING THAT ITS REPORTABLE ORDER EVENTS ARE ACCURATELY REPORTED TO OATS.

8. Current Status: Final

9. Appealed to:

10. Resolution:

Acceptance, Waiver &

Consent (AWC)

11. Final Order: No

12. Resolution Date/Explanation: 11/19/2015

13. (A) Resolution Detail:

Monetary Sanction (Amount: \$10000), Censure Sanction

(B) Other Sanctions Ordered:

(C) Sanction Detail:

THE FIRM WAS CENSURED AND FINED \$10,000. FINE PAID IN FULL ON DECEMBER 8, 2015.

14. Comment:

Reportable Disclosure:

Occurrence:	1552961	Disclosure Type:	Regulatory Action
FINRA Public Disclosable:	N	Reportable:	Y
Disclosure Review Comments:			

Form:	BD	Received:	09/14/2011
Source: Organization	CRD# 118786		
Questions:	11D2, 11D4, 11D5, 11E2		

Part I

A. Person or Entity for which this DRP is being filed is(are):

One or more Control Affiliates

Control Affiliate/Individual Name:	ALPINE SECURITIES CORPORATION
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CRD#: 14952

Type of Control Affiliate: Organization

Registered: Yes

B. If Control Affiliate is registered through CRD, has Control Affiliate submitted a DRP or BD DRP? Yes

A. Person or Entity for which this DRP is being filed is(are):

One or more Control Affiliates

Control Affiliate/Individual Name:	ALPINE SECURITIES CORPORATION
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CRD#: 14952

Type of Control Affiliate: Organization

Registered: Yes

B. If Control Affiliate is registered through CRD, has Control Affiliate submitted a DRP or BD DRP? Yes

Reportable Disclosure:

Part II

Regulatory Action DRP Content

1. Regulatory Action Initiated By:

2. Principal Sanction:

Other Sanctions:

3. Date initiated:

4. Docket/Case Number:

5. Employing Firm:

6. Principal Product Type:

Other Product Types:

7. Allegations:

8. Current Status:

9. Appealed to:

10. Resolution:

11. Resolution Date/Explanation:

12. (A) Resolution Detail:

(B) Other Sanctions Ordered:

(C) Sanction Detail:

13. Summary:

APPENDIX B

Notice

CRD® or IARD(TM) Information: This report contains information from the CRD (Central Registration Depository) system, or the IARD system (Investment Advisers Registration Depository), which are operated by FINRA, a national securities association registered under the Securities Exchange Act of 1934. The CRD system primarily contains information submitted on uniform broker-dealer and agent registration forms and certain other information related to registration and licensing. The IARD system primarily contains information submitted on uniform investment adviser and agent registration forms and certain other information related to registration and licensing. The information on Uniform Forms filed with the CRD or IARD is deemed to have been filed with each regulator with which the applicant seeks to be registered or licensed and shall be the joint property of the applicant and such regulators. The compilation constituting the CRD database as a whole is the property of FINRA. Neither FINRA nor a participating regulator warrants or guarantees the accuracy or the completeness of the CRD or IARD information. CRD information consists of reportable and non-reportable information.

FINRA operates the CRD system in its capacity as a registered national securities association and pursuant to an agreement with the North American Securities Administrators Association, Inc. (NASAA).

FINRA operates the IARD system as a vendor pursuant to a contract with the Securities and Exchange Commission and undertakings with NASAA and participating state regulators.

Reportable Information: Information that is required to be reported on the current version of the uniform registration forms.

Non-Reportable Information: Information that is not currently reportable on a uniform registration form. Information typically is not reportable because it is out-of-date; it was reported in error; or some change occurred either in the disposition of the underlying event after it was reported or in the question on the form that elicited the information. Although not currently reportable, this information was once reported on a uniform form and, consequently, may have become a state record. Users of this information should recognize that filers have no obligation to update non-reportable data; accordingly, it may not reflect changes that have occurred since it was reported.

Details for Request#: 21654871
Report: Snapshot - Individual
Requested By: MAC

<u>Parameter Name</u>	<u>Value</u>
Request by CRD# or SSN:	CRD#
Individual CRD# or SSN	2146449,4623652,2450344
Include Personal Information?	Yes
Include All Registrations with Employments:	Both Current and Previous Employments
Include All Registrations for Current and/or Previous Employments with:	All Regulators
Include Professional Designations?	Yes
Include Employment History?	Yes
Include Other Business?	Yes
Include Exam Information?	Yes
Include Continuing Education Information? (CRD Only)	Yes
Include Filing History? (CRD Only)	Yes
Include Current Reportable Disclosure Information?	Yes
Include Regulator Archive and Z Record Information? (CRD Only)	Yes

Individual 2146449 - HURRY, JOHN JOSEPH

Administrative Information

Composite Information

Full Legal Name HURRY, JOHN JOSEPH

State of Residence AZ, NV

Active Employments

Current Employer SCOTTSDALE CAPITAL ADVISORS CORP(118786)

Firm Main Address 7170 E. MCDONALD RD. SUITE 6
SCOTTSDALE AZ
AZ
85253

Firm Mailing Address 7170 E. MCDONALD RD. SUITE 6
SCOTTSDALE AZ
AZ, USA
85253

Business Telephone# 480-603-4900

Independent Contractor No

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
BD Main			Yes	No	10/22/2014		Located At
	Address 7170 E. MCDONALD RD. SUITE 6 SCOTTSDALE AZ, AZ 85253						
277127			Yes	No	10/22/2014		Located At
	Address 7170 E. MC DONALD DR. SUITE 6 SCOTTSDALE, AZ 85253 United States						
IA Main			Yes	No	10/22/2014		Located At
	Address 7170 E. MCDONALD RD #6 SCOTTSDALE, AZ 85253 United States						

Reportable Disclosures? Yes

Statutory Disqualification? SDRQRSRVW

Registered With Multiple Firms? No

Material Difference in Disclosure? No

Personal Information

Individual CRD# 2146449

Other Names Known By HURRY, JOHN JOSEPH

Year of Birth 1966

Registrations with Current Employer(s)

From 10/22/2014 To Present SCOTTSDALE CAPITAL ADVISORS CORP(118786)

Individual 2146449 - HURRY, JOHN JOSEPH

Administrative Information**Registrations with Current Employer(s)**

Regulator	Registration Category	Status Date	Registration Status	Approval Date
AZ	AG	08/16/2018	PENDING	
AZ	RA	12/22/2014	APPROVED	12/22/2014
CA	AG	08/17/2018	APPROVED	08/17/2018
CA	AG	07/25/2018	TERMED	10/24/2014
CA	RA	04/06/2015	APPROVED	04/06/2015
CA	RA	10/30/2014	T_NOU5	10/24/2014
FINRA	BP	10/01/2018	APPROVED	10/01/2018
FINRA	FN	08/06/2018	APPROVED	08/06/2018
FINRA	FN	08/06/2018	APPROVED	08/06/2018
FINRA	GP	08/06/2018	APPROVED	08/06/2018
FINRA	GP	08/06/2018	APPROVED	08/06/2018
FINRA	GS	08/06/2018	APPROVED	08/06/2018
FINRA	GS	08/06/2018	APPROVED	08/06/2018
FINRA	IB	08/06/2018	APPROVED	08/06/2018
FINRA	IB	08/06/2018	APPROVED	08/06/2018
FINRA	OP	08/06/2018	APPROVED	08/06/2018
FINRA	OP	08/06/2018	APPROVED	08/06/2018
FINRA	OS	08/06/2018	APPROVED	08/06/2018
FINRA	OS	08/06/2018	APPROVED	08/06/2018
FINRA	TD	08/06/2018	APPROVED	08/06/2018
FINRA	TD	08/06/2018	APPROVED	08/06/2018
FINRA	ET	01/04/2016	T_NOU5	10/23/2014

Registrations with Previous Employer(s)

From 06/28/2017 To 11/27/2017 ALPINE SECURITIES CORPORATION(14952)

Reason for Termination**Termination Comment**

<<No Registrations with Previous Employer(s) found for this Individual.>>

From 10/27/2014 To 06/28/2017 ALPINE SECURITIES CORPORATION(14952)

Reason for Termination Voluntary**Termination Comment**

Regulator	Registration Category	Status Date	Registration Status	Approval Date
CA	AG	06/28/2017	TERMED	12/23/2014
CBOE BYX	FN	06/28/2017	TERMED	10/29/2014
CBOE BYX	GP	06/28/2017	TERMED	10/29/2014
CBOE BYX	GS	06/28/2017	TERMED	10/29/2014
CBOE BZX	FN	06/28/2017	TERMED	10/29/2014
CBOE BZX	GP	06/28/2017	TERMED	10/29/2014
CBOE BZX	GS	06/28/2017	TERMED	10/29/2014
CBOE BZX	OP	06/28/2017	TERMED	10/29/2014
FINRA	FN	06/28/2017	TERMED	10/29/2014
FINRA	GP	06/28/2017	TERMED	10/29/2014
FINRA	GS	06/28/2017	TERMED	10/29/2014

Individual 2146449 - HURRY, JOHN JOSEPH**Administrative Information****Registrations with Previous Employer(s)**

Regulator	Registration Category	Status Date	Registration Status	Approval Date
FINRA	IB	06/28/2017	TERMED	03/31/2015
FINRA	OP	06/28/2017	TERMED	10/29/2014
FINRA	TD	06/28/2017	TERMED	01/04/2016
FINRA	ET	01/04/2016	T_NOU5	10/29/2014
NQX	FN	06/28/2017	TERMED	10/29/2014
NQX	GP	06/28/2017	TERMED	10/29/2014
NQX	GS	06/28/2017	TERMED	10/29/2014
NQX	OP	06/28/2017	TERMED	10/29/2014
NQX	TD	06/28/2017	TERMED	01/04/2016
NQX	ET	01/04/2016	T_NOU5	10/29/2014
NY	AG	06/28/2017	T_NOREG	
NYSE- ARCA	FN	06/28/2017	TERMED	10/29/2014
NYSE- ARCA	GP	06/28/2017	TERMED	10/29/2014
NYSE- ARCA	GS	06/28/2017	TERMED	10/29/2014
NYSE- ARCA	OP	06/28/2017	TERMED	10/29/2014

From 03/08/2011 To 10/29/2014 ALPINE SECURITIES CORPORATION(14952)

Reason for Termination**Termination Comment**

<<No Registrations with Previous Employer(s) found for this Individual.>>

From 05/31/2013 To 10/22/2014 SCOTTSDALE CAPITAL ADVISORS CORP(118786)

Reason for Termination**Termination Comment**

<<No Registrations with Previous Employer(s) found for this Individual.>>

From 01/21/2002 To 12/31/2012 SCOTTSDALE CAPITAL ADVISORS CORP(118786)

Reason for Termination Voluntary**Termination Comment**

Regulator	Registration Category	Status Date	Registration Status	Approval Date
AK	AG	12/31/2012	TERMED	06/10/2002
AL	AG	12/31/2012	TERMED	06/07/2002
AL	RA	12/31/2002	TERMED	05/07/2002
AR	AG	12/31/2012	TERMED	05/31/2002
AZ	AG	12/31/2012	TERMED	05/28/2002
AZ	RA	12/31/2012	TERMED	03/14/2003
AZ	RA	12/05/2002	T_NOU5	09/03/2002
CA	AG	12/31/2012	TERMED	06/07/2002
CA	RA	12/31/2012	TERMED	09/18/2008
CA	RA	05/08/2002	TERMED	04/29/2002
CO	AG	12/31/2012	TERMED	06/05/2002
CO	RA	12/05/2002	T_NOU5	04/30/2002

Individual 2146449 - HURRY, JOHN JOSEPH

Administrative Information

Registrations with Previous Employer(s)

Regulator	Registration Category	Status Date	Registration Status	Approval Date
CT	AG	12/31/2012	TERMED	05/24/2002
DC	AG	12/31/2012	TERMED	05/22/2002
DE	AG	12/31/2012	TERMED	06/06/2002
FINRA	ET	12/31/2012	TERMED	05/22/2002
FINRA	FN	12/31/2012	TERMED	05/22/2002
FINRA	GP	12/31/2012	TERMED	05/22/2002
FINRA	GS	12/31/2012	TERMED	05/22/2002
FINRA	IB	12/31/2012	TERMED	11/02/2009
FINRA	OP	12/31/2012	TERMED	05/22/2002
FINRA	OS	12/31/2012	TERMED	11/21/2011
FL	AG	12/31/2012	TERMED	06/11/2002
FL	RA	12/05/2002	T_NOU5	09/04/2002
GA	AG	12/31/2012	TERMED	05/24/2002
HI	AG	12/31/2012	TERMED	06/25/2002
IA	AG	12/31/2012	TERMED	05/29/2002
IA	RA	05/08/2002	T_NOREG	
ID	AG	12/31/2012	TERMED	05/24/2002
IL	AG	12/31/2012	TERMED	05/30/2002
IN	AG	12/31/2012	TERMED	05/29/2002
KS	AG	12/31/2012	TERMED	05/28/2002
KY	AG	12/31/2012	TERMED	05/29/2002
LA	AG	12/31/2012	TERMED	06/06/2002
MA	AG	12/31/2012	TERMED	05/24/2002
MD	AG	12/31/2012	TERMED	05/29/2002
MD	RA	05/08/2002	T_NOREG	
ME	AG	12/31/2012	TERMED	05/28/2002
MI	AG	12/31/2012	TERMED	06/20/2002
MN	AG	12/31/2012	TERMED	05/23/2002
MO	AG	12/31/2012	TERMED	06/11/2002
MS	AG	12/31/2012	TERMED	06/12/2002
MT	AG	12/31/2012	TERMED	05/28/2002
NC	AG	12/31/2012	TERMED	05/29/2002
NC	RA	12/05/2002	T_NOU5	08/30/2002
ND	AG	12/31/2012	TERMED	05/24/2002
NE	AG	12/31/2012	TERMED	05/31/2002
NH	AG	12/31/2012	TERMED	06/30/2010
NH	AG	06/13/2002	T_NOREG	
NJ	AG	12/31/2012	TERMED	06/03/2002
NJ	RA	12/03/2002	T_NOU5	05/09/2002
NM	AG	12/31/2012	TERMED	06/04/2002
NM	RA	12/05/2002	T_NOU5	09/06/2002
NQX	ET	12/31/2012	TERMED	07/12/2006
NQX	FN	12/31/2012	TERMED	07/12/2006

Individual 2146449 - HURRY, JOHN JOSEPH

Administrative Information

Registrations with Previous Employer(s)

Regulator	Registration Category	Status Date	Registration Status	Approval Date
NQX	GP	12/31/2012	TERMED	07/12/2006
NQX	GS	12/31/2012	TERMED	07/12/2006
NV	AG	12/31/2012	TERMED	06/04/2002
NV	RA	12/31/2002	TERMED	05/15/2002
NY	AG	12/31/2012	TERMED	06/11/2002
NYSE-ARCA	GS	12/31/2012	TERMED	10/25/2005
OH	AG	12/31/2012	TERMED	05/31/2002
OK	AG	12/31/2012	TERMED	05/29/2002
OR	AG	12/31/2012	TERMED	06/17/2002
OR	RA	12/05/2002	T_NOU5	05/02/2002
PA	AG	12/31/2012	TERMED	05/29/2002
PA	RA	12/05/2002	T_NOU5	05/08/2002
PR	AG	12/31/2012	TERMED	06/12/2002
RI	AG	12/31/2012	TERMED	05/22/2002
SC	AG	12/31/2012	TERMED	06/11/2002
SD	AG	12/31/2012	TERMED	05/31/2002
TN	AG	12/31/2012	TERMED	06/26/2007
TN	AG	11/10/2006	TERMED	06/06/2002
TX	AG	12/31/2012	TERMED	05/01/2002
TX	RA	12/05/2002	T_NOU5	05/01/2002
UT	AG	12/31/2012	TERMED	05/24/2002
VA	AG	12/31/2012	TERMED	05/24/2002
VT	AG	12/31/2012	TERMED	06/24/2002
WA	AG	12/31/2012	TERMED	05/29/2002
WI	AG	12/31/2012	TERMED	05/23/2002
WI	RA	05/15/2002	T_NOU5	05/15/2002
WV	AG	12/31/2012	TERMED	05/29/2002
WY	AG	12/31/2012	TERMED	06/13/2002

From 12/04/2000 To 04/24/2002 PRUDENTIAL SECURITIES INCORPORATED(7471)

Reason for Termination Discharged

Termination Comment PSI AND EMPLOYEE DISAGREED ON THE TYPE OF BUSINESS THE EMPLOYEE SHOULD BE ALLOWED TO CONDUCT. THE EMPLOYEE ALSO SOUGHT TO BECOME REGISTERED WITH AN ENTITY OWNED BY HIS WIFE THAT APPLIED FOR A BROKER DEALER LICENSE WITHOUT ADVISING PSI BEFOREHAND.

Regulator	Registration Category	Status Date	Registration Status	Approval Date
AL	AG	05/29/2002	TERMED	01/03/2001
AZ	AG	05/29/2002	TERMED	12/05/2000
CA	AG	05/29/2002	TERMED	12/05/2000
CBOE	GS	05/29/2002	TERMED	12/05/2000
CO	AG	05/29/2002	TERMED	12/05/2000
FINRA	GP	05/29/2002	TERMED	10/25/2001
FINRA	GS	05/29/2002	TERMED	12/05/2000

Individual 2146449 - HURRY, JOHN JOSEPH

Administrative Information

Registrations with Previous Employer(s)

Regulator	Registration Category	Status Date	Registration Status	Approval Date
FINRA	OP	05/29/2002	TERMED	10/25/2001
FL	AG	05/29/2002	TERMED	12/05/2000
GA	AG	05/29/2002	TERMED	01/09/2001
IA	AG	05/29/2002	TERMED	12/05/2000
MA	AG	05/29/2002	TERMED	12/05/2000
MI	AG	05/29/2002	TERMED	12/05/2000
MN	AG	05/29/2002	TERMED	12/05/2000
NC	AG	05/29/2002	TERMED	12/05/2000
NJ	AG	05/29/2002	TERMED	03/13/2001
NM	AG	05/29/2002	TERMED	12/05/2000
NV	AG	05/29/2002	TERMED	12/05/2000
NYSE	GS	05/29/2002	TERMED	12/05/2000
NYSE-AMER	GS	05/29/2002	TERMED	12/05/2000
NYSE-ARCA	GS	05/29/2002	TERMED	12/05/2000
OR	AG	05/29/2002	TERMED	12/05/2000
PA	AG	05/29/2002	TERMED	12/05/2000
PHLX	GS	05/29/2002	TERMED	12/05/2000
TN	AG	05/29/2002	TERMED	12/05/2000
TX	AG	05/29/2002	TERMED	12/05/2000
VA	AG	05/29/2002	TERMED	12/11/2001
WI	AG	05/29/2002	TERMED	12/05/2000

From 05/21/1997 To 12/04/2000 MERIT CAPITAL ASSOCIATES, INC.(30576)

Reason for Termination Voluntary

Termination Comment

Regulator	Registration Category	Status Date	Registration Status	Approval Date
AZ	AG	12/04/2000	TERMED	06/26/1997
CA	AG	12/04/2000	TERMED	04/18/1998
CO	AG	12/04/2000	TERMED	09/02/1997
FINRA	GP	12/04/2000	TERMED	03/02/1999
FINRA	GS	12/04/2000	TERMED	06/09/1997
FINRA	MP	12/04/2000	T_NOREG	
FINRA	MR	12/04/2000	TERMED	07/01/1999
FINRA	OP	12/04/2000	TERMED	06/16/1999
FL	AG	12/04/2000	TERMED	06/10/1997
IA	AG	12/04/2000	TERMED	11/20/1997
MA	AG	12/04/2000	TERMED	09/30/1998
MI	AG	12/04/2000	TERMED	07/20/1998
MN	AG	12/04/2000	TERMED	10/17/1997
NC	AG	12/04/2000	TERMED	12/15/1999
NM	AG	12/04/2000	TERMED	09/02/1999
NM	AG	11/13/1998	TERMED	06/19/1997

Individual 2146449 - HURRY, JOHN JOSEPH**Administrative Information****Registrations with Previous Employer(s)**

Regulator	Registration Category	Status Date	Registration Status	Approval Date
NV	AG	12/04/2000	TERMED	01/15/1999
OR	AG	12/04/2000	TERMED	04/18/1998
PA	AG	12/04/2000	TERMED	11/03/1999
TN	AG	12/04/2000	TERMED	10/19/1999
TX	AG	12/04/2000	TERMED	06/04/1998
WI	AG	12/04/2000	TERMED	08/25/1997

From 12/31/1996 To 06/13/1997 CORTLANDT CAPITAL CORPORATION(25152)

Reason for Termination Voluntary

Termination Comment

Regulator	Registration Category	Status Date	Registration Status	Approval Date
AZ	AG	06/25/1997	TERMED	02/18/1997
CA	AG	06/25/1997	TERMED	02/15/1997
CO	AG	06/25/1997	TERMED	02/19/1997
FINRA	GS	06/25/1997	TERMED	02/18/1997
FL	AG	06/25/1997	TERMED	02/27/1997
MN	AG	06/25/1997	TERMED	02/19/1997
NC	AG	06/25/1997	TERMED	02/19/1997

From 12/06/1993 To 12/30/1996 EDWARD D. JONES & CO., L.P.(250)

Reason for Termination Voluntary

Termination Comment

Regulator	Registration Category	Status Date	Registration Status	Approval Date
AL	AG	12/31/1995	TERMED	01/04/1994
AZ	AG	01/01/1997	TERMED	12/14/1993
CA	AG	01/01/1997	TERMED	01/04/1994
CO	AG	01/01/1997	TERMED	01/04/1994
FINRA	GS	01/01/1997	TERMED	12/11/1993
FL	AG	01/01/1997	TERMED	03/23/1995
MN	AG	01/01/1997	TERMED	02/06/1996
NC	AG	01/01/1997	TERMED	11/19/1996
NM	AG	01/01/1997	TERMED	04/13/1994
NV	AG	01/01/1997	TERMED	02/14/1994
NYSE	GS	01/01/1997	TERMED	12/11/1993
OR	AG	01/01/1997	TERMED	02/10/1995

From 09/14/1993 To 11/13/1993 EQUITY SERVICES, INC.(265)

Reason for Termination Voluntary

Termination Comment

Regulator	Registration Category	Status Date	Registration Status	Approval Date
AZ	AG	11/11/1993	TERMED	09/21/1993
FINRA	GS	11/11/1993	TERMED	09/20/1993

From 05/10/1991 To 03/26/1992 WADDELL & REED, INC.(866)

Reason for Termination Voluntary

Termination Comment

Individual 2146449 - HURRY, JOHN JOSEPH

Administrative Information

Registrations with Previous Employer(s)

Regulator	Registration Category	Status Date	Registration Status	Approval Date
AZ	AG	03/26/1992	TERMED	09/10/1991
FINRA	GS	03/26/1992	TERMED	09/09/1991
FINRA	IR	03/26/1992	TERMED	09/09/1991

Individual 2146449 - HURRY, JOHN JOSEPH

Administrative Information

Professional Designations

<<No Professional Designations found for this Individual.>>

Employment History

From	10/2014	To	Present	Name	SCOTTSDALE CAPITAL ADVISORS
				Location	SCOTTSDALE, AZ, United States
				Position	DIRECTOR
				Investment Related	Yes
From	03/2011	To	06/2017	Name	ALPINE SECURITIES CORPORATION
				Location	SALT LAKE CITY, UT, United States
				Position	DIRECTOR
				Investment Related	Yes
From	05/1995	To	10/2014	Name	KEYSTONE MORTGAGE
				Location	PHOENIX, AZ, United States
				Position	LOAN PROCESSOR
				Investment Related	No
From	01/2002	To	12/2012	Name	SCOTTSDALE CAPITAL ADVISORS
				Location	PARADISE VALLEY, AZ, United States
				Position	BROKER
				Investment Related	Yes
From	12/2000	To	05/2002	Name	PRUDENTIAL SECURITIES INC
				Location	NEW YORK, NY, United States
				Position	FINANCIAL ADVISOR
				Investment Related	Yes
From	05/1997	To	12/2000	Name	MERIT CAPITAL ASSOCIATES, INC.
				Location	SCOTTSDALE, AZ, United States
				Position	NOT PROVIDED
				Investment Related	Yes
From	12/1996	To	06/1997	Name	CORTLANDT CAPITAL CORPORATION
				Location	PHOENIX, AZ, United States
				Position	NOT PROVIDED
				Investment Related	Yes
From	12/1993	To	12/1996	Name	EDWARD D. JONES & CO., L.P.
				Location	PHOENIX, AZ, United States
				Position	NOT PROVIDED

Individual 2146449 - HURRY, JOHN JOSEPH

Administrative Information

Employment History

			Investment Related	Yes
From	09/1993	To	11/1993	Name EQUITY SERVICES, INC.
			Location	PHOENIX, AZ, United States
			Position	NOT PROVIDED
			Investment Related	Yes
From	08/1993	To	11/1993	Name NATIONAL LIFE
			Location	MONTEEVE, VT, United States
			Position	AGENT - AGENT
			Investment Related	No
From	12/1992	To	09/1993	Name W.C. GORE
			Location	FLAGSTAFF, AZ, United States
			Position	OTHER - FINANCIAL ANALYST, ACCT
			Investment Related	No
From	08/1992	To	12/1992	Name GGCC
			Location	SUFFORD, AZ, United States
			Position	OTHER - FINANCIAL OFFICER
			Investment Related	No
From	07/1988	To	08/1992	Name UNITED PARCEL SERVICE
			Location	FLAGSTAFF, AZ, United States
			Position	OTHER - PRELOAD
			Investment Related	No
From	09/1988	To	06/1992	Name NORTHERN ARKIZONIA UNIVERSITY
			Location	FLAGSTAFF, AZ, United States
			Position	STUDENT - STUDENT
			Investment Related	No
From	09/1991	To	05/1992	Name COMPUTER SERVICE
			Location	FLAGSTAFF, AZ, United States
			Position	OTHER - SUPERVISOR
			Investment Related	No
From	05/1991	To	03/1992	Name WADDELL & REED, INC.
			Location	PHOENIX, AZ, United States
			Position	NOT PROVIDED
			Investment Related	Yes

Individual 2146449 - HURRY, JOHN JOSEPH

Administrative Information

Office of Employment History

From 10/2014 To Present

Name SCOTTSDALE CAPITAL ADVISORS CORP(118786)

Independent Contractor No

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
BD Main			Yes	No	10/22/2014		Located At
	Address 7170 E. MCDONALD RD. SUITE 6 SCOTTSDALE AZ, AZ 85253						
277127			Yes	No	10/22/2014		Located At
	Address 7170 E. MC DONALD DR. SUITE 6 SCOTTSDALE, AZ 85253 United States						
IA Main			Yes	No	10/22/2014		Located At
	Address 7170 E. MCDONALD RD #6 SCOTTSDALE, AZ 85253 United States						

From 06/2017 To 11/2017

Name ALPINE SECURITIES CORPORATION(14952)

Independent Contractor

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
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From 10/2014 To 06/2017

Name ALPINE SECURITIES CORPORATION(14952)

Independent Contractor No

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
BD Main			Yes	No	10/27/2014	06/28/2017	Supervised From
	Address 39 EXCHANGE PLACE SALT LAKE CITY, UT 84111 UNITED STATES						
			No	No	10/27/2014	06/28/2017	Located At
	Address 7170 E MCDONALD RD #6 SCOTTSDALE, AZ 85253 United States						

From 03/2011 To 10/2014

Name ALPINE SECURITIES CORPORATION(14952)

Independent Contractor

Office of Employment Address

Individual 2146449 - HURRY, JOHN JOSEPH

Administrative Information

Office of Employment History

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
From	05/2013	To	10/2014				
Name SCOTTSDALE CAPITAL ADVISORS CORP(118786)							

Independent Contractor

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
From	01/2002	To	12/2012				
Name SCOTTSDALE CAPITAL ADVISORS CORP(118786)							

Independent Contractor Yes

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
BD Main			Yes	No	01/21/2002	12/31/2012	Located At
Address 7170 E. MCDONALD RD. SUITE 6 SCOTTSDALE AZ, AZ 85253							
522710			Yes	Yes	10/25/2012	12/04/2012	Located At
Address 617 HIGHWAY 50 ZEPHYR COVE, NV 89448 United States							

From	12/2000	To	04/2002				
Name PRUDENTIAL SECURITIES INCORPORATED(7471)							

Independent Contractor No

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
			No	No	12/04/2000	04/24/2002	Located At
Address 2415 E CAMELBACK ROAD SUITE 1000 PHOENIX, AZ 85016-4201 United States							

From	05/1997	To	12/2000				
Name MERIT CAPITAL ASSOCIATES, INC.(30576)							

Independent Contractor No

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
			No	No	05/21/1997	12/04/2000	Located At

Individual 2146449 - HURRY, JOHN JOSEPH

Administrative Information

Office of Employment History

Office of Employment Address

Address 7377 E. DOUBLETREE RANCH RD STE 290
SCOTTSDALE, AZ 85258 United States

From 12/1996 To 06/1997

Name CORTLANDT CAPITAL CORPORATION(25152)

Independent Contractor No

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
			No	No	12/31/1996	06/13/1997	Located At

Address 5110 N 44TH STREET, SUITE L140
PHOENIX, AZ 85018 United States

From 12/1993 To 12/1996

Name EDWARD D. JONES & CO., L.P.(250)

Independent Contractor No

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
			No	No	12/06/1993	12/30/1996	Located At

Address 3329 EAST BELL ROAD, SUITE A-17
PHOENIX, AZ 85032 United States

From 09/1993 To 11/1993

Name EQUITY SERVICES, INC.(265)

Independent Contractor No

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
			No	No	09/14/1993	11/13/1993	Located At

Address 2920 CAMBLBACK RD SUITE 200
PHOENIX, AZ 85016 United States

From 05/1991 To 03/1992

Name WADDELL & REED, INC.(866)

Independent Contractor No

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office

Individual 2146449 - HURRY, JOHN JOSEPH

Administrative Information

Office of Employment History

Office of Employment Address

No No 05/10/1991 03/26/1992 Located At
 Address 11011 SOUTH 48 ST #200
 PHOENIX, AZ 85044 United States

Other Business

(# FOLLOWED BY:NAME|INVEST RELATED|LOCATION|BUS NATURE|POSITION/TITLE|START DATE|HRS MONTH|HRS TRADE DAY|DUTIES)

(1)ALPINE SECURITIES HOLDING CORP|NO|STATELINE,NV|PRIVATE LENDER|PRES|2011|<1|<1| PRES
 (2)HURRY FOUNDATION|NO|STATELINE,NV|PRIVATE FOUNDATION TAX EXEMPT|PRES|2013|<1|<1|PRES
 (3)INVESTMENT SERVICES CORP|NO|SCOTTSDALE,AZ|SERVICE CO FOR OTHER
 BUSINESSES|PRES|1997|<1|<1|PRES (4)INVESTMENT SERVICES HOLDING
 CORP|NO|SCOTTSDALE,AZ|SERVICES CO FOR OTHER BUSINESSES|PRES|2011|<1|<1|PRES
 (5)NEWMANAGER INC|NO|STATELINE,NV|LLC MGR|PRES|2018|<1|<1|PRES (6)NEWMGT
 LLC|NO|STATELINE,NV|LLC MGR|LLC MGR|2012|<1|<1|LLC MGR (7)SMOKELESS
 INC|NO|STATELINE,NV|SMOKELESS CIGARETTE PRODUCT|PRES|2014|<1|<1|PRES

Exam Appointments

<<No Exam Appointments found for this Individual.>>

Exam History

Exam ID	Enrollment ID	Exam Status	Status Date	Exam Date	Grade	Score	Window Dates	Exam Validity
SIE	37755175	Credit	10/01/2018				-	Valid
S3	20235081	Window Expired	07/08/2001				03/08/2001-07/06/2001	N/A
S4	20235084	Official Result	06/15/1999	06/15/1999	Passed		-	Valid
S6	20235087	Window Expired	09/10/1991			0	-	N/A
S7	20235097	Official Result	07/19/1991	07/19/1991	Passed		-	Valid
S24	20235079	Official Result	03/01/1999	03/01/1999	Passed		-	Valid
S27	20235080	Official Result	04/09/2002	03/21/2002	Passed		01/26/2002-05/26/2002	Valid
S31	20235082	Window Expired	07/08/2001				03/08/2001-07/06/2001	N/A
S53	20235085	Official Result	09/30/1999	09/27/1999	Failed	59	-	N/A
S55	20235086	Official Result	04/03/2002	04/02/2002	Passed		03/16/2002-07/14/2002	Valid
S63	20235088	Official Result	08/05/1991	08/05/1991	Passed		-	Valid
S65	20235096	Official Result	08/30/2002	08/29/2002	Passed		05/03/2002-08/31/2002	Valid
S65	20235095	Official Waiver	05/15/2002				-	N/A

Snapshot - Individual

Individual 2146449 - HURRY, JOHN JOSEPH

Administrative Information

Exam History

Exam ID	Enrollment ID	Exam Status	Status Date	Exam Date	Grade	Score	Window Dates	Exam Validity
S65	20235094	Official Waiver	05/15/2002				-	N/A
S65	20235093	Official Waiver	05/09/2002				-	N/A
S65	20235092	Official Waiver	05/07/2002				-	N/A
S65	20235091	Official Waiver	05/02/2002				-	N/A
S65	20235090	Official Waiver	04/30/2002				-	N/A
S65	20235089	Official Result	06/08/1999	06/08/1999	Passed		-	Valid

CE Regulatory Element Status

Current CE Status SATISFIED

CE Base Date 09/09/1991

CE Appointments

<<No CE Appointments found for this Individual.>>

Current CE

<<No Current CE found for this Individual.>>

Next CE

Window Dates	Enrollment ID	Requirement Type	Session
09/09/2020-01/06/2021	36845116	Anniversary	101
09/09/2020-01/06/2021	36340626	Anniversary	201

CE Directed Sequence History

<<No CE Directed Sequence History found for this Individual.>>

Inactive CE History Dates

<<No Inactive CE History Dates found for this Individual.>>

Previous CE Requirement Status

Requirement Type	Enrollment ID	Session	Status	Status Date	Window Dates	Result
Anniversary	34679339	201			09/09/2017-01/06/2018	
Anniversary	34599965	101			09/09/2017-01/06/2018	
Anniversary	34679339	201	SATISFIED	10/30/2017	09/09/2017-01/06/2018	10/30/2017 - CMPLT
Anniversary	34679339	201	REQUIRED	09/09/2017	09/09/2017-01/06/2018	
Anniversary	33408399	201			09/09/2014-01/06/2015	
Anniversary	34679338	201	SATISFIED	11/03/2014	09/09/2014-01/06/2015	11/03/2014 - CMPLT
Anniversary	34679338	201	REQUIRED	09/09/2014	09/09/2014-	

Individual 2146449 - HURRY, JOHN JOSEPH

Administrative Information

Previous CE Requirement Status

Requirement Type	Enrollment ID	Session	Status	Status Date	Window Dates	Result
Anniversary	33408399	201	REQUIRED	09/09/2014	01/06/2015 09/09/2014-01/06/2015	
Anniversary	32422823	201	SATISFIED	10/21/2011	09/09/2011-01/06/2012	10/21/2011 - CMPLT
Anniversary	32422823	201	REQUIRED	09/09/2011	09/09/2011-01/06/2012	
Anniversary	31427477	201	SATISFIED	01/06/2009	09/09/2008-01/06/2009	01/06/2009 - CMPLT
Anniversary	31427477	201	REQUIRED	09/09/2008	09/09/2008-01/06/2009	
Anniversary	30409926	201	SATISFIED	10/22/2005	09/09/2005-01/06/2006	10/22/2005 - CMPLT
Anniversary	30409926	201	REQUIRED	09/09/2005	09/09/2005-01/06/2006	
Anniversary	29403333	201	SATISFIED	10/07/2002	09/09/2002-01/06/2003	10/07/2002 - CMPLT
Anniversary	29403333	201	REQUIRED	09/09/2002	09/09/2002-01/06/2003	
Anniversary	28712775	201	SATISFIED	12/28/1999	09/09/1999-01/06/2000	12/28/1999 - CMPLT
Anniversary	28712775	201	REQUIRED	09/09/1999	09/09/1999-01/06/2000	
Anniversary	28087860	101	SATISFIED	09/16/1996	09/09/1996-01/06/1997	
Anniversary	28087860	101		09/16/1996	09/09/1996-01/06/1997	09/16/1996 - CMPLT
Anniversary	27814683	101			09/09/1993-01/06/1994	

Filing History

Date	Type	Submitted by
10/01/2018	U4 ADMIN	
08/13/2018	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
08/07/2018	U5 ADMIN	FINRA
08/07/2018	U5 ADMIN	FINRA
08/07/2018	U5 ADMIN	FINRA
08/07/2018	U5 ADMIN	FINRA
08/07/2018	U5 ADMIN	FINRA
08/07/2018	U5 ADMIN	FINRA
08/07/2018	U5 ADMIN	FINRA
08/07/2018	U4 ADMIN	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
08/07/2018	U4 ADMIN	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
08/07/2018	U4 ADMIN	SCOTTSDALE CAPITAL ADVISORS CORP (118786)

Individual 2146449 - HURRY, JOHN JOSEPH

Administrative Information**Filing History**

Date	Type	Submitted by
08/07/2018	U4 ADMIN	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
08/07/2018	U4 ADMIN	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
08/07/2018	U4 ADMIN	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
08/07/2018	U6 CRD Individual	FINRA
08/07/2018	U6 CRD Individual	FINRA
07/25/2018	U5 Partial	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
07/25/2018	U6 CRD Individual	FINRA
07/24/2018	U6 CRD Individual	FINRA
07/24/2018	U5 ADMIN	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
06/21/2018	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
02/28/2018	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
06/29/2017	U4 Page 2 BD Initial	ALPINE SECURITIES CORPORATION (14952)
06/28/2017	U5 Full	ALPINE SECURITIES CORPORATION (14952)
06/22/2017	U6 CRD Individual	FINRA
06/22/2017	U6 CRD Individual	FINRA
05/12/2017	U4 Concurrence	ALPINE SECURITIES CORPORATION (14952)
05/01/2017	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
04/28/2017	U4 Amendment	ALPINE SECURITIES CORPORATION (14952)
04/28/2017	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
04/28/2017	U6 CRD Individual	FINRA
04/05/2017	U6 CRD Individual	FINRA
01/25/2017	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
09/21/2016	U4 Amendment	ALPINE SECURITIES CORPORATION (14952)
09/16/2016	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
04/18/2016	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
01/04/2016	U4 ADMIN	
01/04/2016	U5 ADMIN	
06/15/2015	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
06/15/2015	U4 Amendment	ALPINE SECURITIES CORPORATION (14952)
06/01/2015	U6 CRD Individual	FINRA
05/20/2015	U6 CRD Individual	FINRA
03/30/2015	U4 Amendment	ALPINE SECURITIES CORPORATION (14952)
03/24/2015	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
12/22/2014	U4 Amendment	ALPINE SECURITIES CORPORATION (14952)
12/02/2014	U4 Amendment	ALPINE SECURITIES CORPORATION (14952)
12/02/2014	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
12/01/2014	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
11/03/2014	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
10/29/2014	U4 Relicense All	ALPINE SECURITIES CORPORATION (14952)
10/23/2014	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
10/22/2014	U4 Initial	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
10/10/2014	U5 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
09/17/2014	U6 CRD Individual	FINRA

Individual 2146449 - HURRY, JOHN JOSEPH

Administrative Information**Filing History**

Date	Type	Submitted by
09/03/2014	U5 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
05/31/2013	U4 Page 2 BD Initial	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
12/20/2012	U5 Full	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
12/13/2012	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
12/04/2012	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
11/26/2012	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
11/19/2012	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
10/25/2012	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
10/22/2012	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
09/12/2012	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
08/31/2012	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
08/29/2012	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
08/16/2012	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
08/16/2012	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
08/03/2012	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
07/30/2012	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
07/18/2012	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
06/04/2012	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
06/04/2012	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
03/01/2012	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
01/10/2012	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
11/21/2011	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
09/28/2011	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
09/14/2011	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
08/22/2011	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
03/08/2011	U4 Page 2 BD Initial	ALPINE SECURITIES CORPORATION (14952)
03/07/2011	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
02/09/2011	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
06/30/2010	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
05/03/2010	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
04/29/2010	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
03/12/2010	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
11/02/2009	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
06/03/2009	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
08/20/2008	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
11/19/2007	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
08/20/2007	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
06/26/2007	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
04/24/2007	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
11/10/2006	U5 Partial	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
07/29/2006	U4 Conversion	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
07/26/2006	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
07/18/2006	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)

Individual 2146449 - HURRY, JOHN JOSEPH

Administrative Information**Filing History**

Date	Type	Submitted by
10/25/2005	U4 ADMIN	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
01/27/2004	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
01/03/2003	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
01/02/2003	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
12/02/2002	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
11/15/2002	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
11/04/2002	U5 Partial	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
10/15/2002	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
07/09/2002	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
07/09/2002	U5 ADMIN	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
06/27/2002	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
05/29/2002	U5 Full	PRUDENTIAL EQUITY GROUP, LLC (7471)
05/08/2002	U5 Partial	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
04/29/2002	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
03/15/2002	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
01/22/2002	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
01/22/2002	U4 Relicense All	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
12/11/2001	U4 Amendment	PRUDENTIAL EQUITY GROUP, LLC (7471)
10/25/2001	U4 Amendment	PRUDENTIAL EQUITY GROUP, LLC (7471)
03/13/2001	U4 Amendment	PRUDENTIAL EQUITY GROUP, LLC (7471)
03/07/2001	U4 Amendment	PRUDENTIAL EQUITY GROUP, LLC (7471)
03/07/2001	U4 Amendment	PRUDENTIAL EQUITY GROUP, LLC (7471)
01/09/2001	U4 Amendment	PRUDENTIAL EQUITY GROUP, LLC (7471)
01/03/2001	U4 Amendment	PRUDENTIAL EQUITY GROUP, LLC (7471)
12/05/2000	U4 Relicense All	PRUDENTIAL EQUITY GROUP, LLC (7471)
12/04/2000	U5 Full	MERIT CAPITAL ASSOCIATES, INC. (30576)
11/07/2000	U5 Partial	MERIT CAPITAL ASSOCIATES, INC. (30576)
12/09/1999	U4 Amendment	MERIT CAPITAL ASSOCIATES, INC. (30576)
11/03/1999	U4 Amendment	MERIT CAPITAL ASSOCIATES, INC. (30576)
10/05/1999	U4 Amendment	MERIT CAPITAL ASSOCIATES, INC. (30576)
08/30/1999	U4 Amendment	MERIT CAPITAL ASSOCIATES, INC. (30576)
07/07/1999	U4 Conversion	MERIT CAPITAL ASSOCIATES, INC. (30576)
07/05/1999	U5 Conversion	MERIT CAPITAL ASSOCIATES, INC. (30576)
07/05/1999	U4 Conversion	MERIT CAPITAL ASSOCIATES, INC. (30576)
07/05/1999	U5 Conversion	CORTLANDT CAPITAL CORPORATION (25152)
07/05/1999	U4 Conversion	CORTLANDT CAPITAL CORPORATION (25152)
07/05/1999	U5 Conversion	EDWARD JONES (250)
07/05/1999	U4 Conversion	EDWARD JONES (250)
07/05/1999	U5 Conversion	EQUITY SERVICES, INC. (265)
07/05/1999	U4 Conversion	EQUITY SERVICES, INC. (265)
07/05/1999	U5 Conversion	WADDELL & REED (866)
07/05/1999	U4 Conversion	WADDELL & REED (866)

Individual 2146449 - HURRY, JOHN JOSEPH

Reportable Events

Regulatory Action **DRP** DRP Version 05/2009

10. If on appeal:

- A. Appealed to: SEC
- B. Date appealed/Explanation: 07/23/2018
- C. Limitations or restrictions while on appeal: No

11. Resolution details:

- A. Resolution detail: Other: Pending NAC Review
- B. Resolution date/Explanation: 07/23/2018
Appealed date

12. Final order: No

13. Sanction detail:

- A. Sanctions ordered:
- B. Other sanctions:
- C. Sanction type details:
- D. Requalification type details:
- E. Monetary related sanction type details:

14. Comment:

On March 31, 2017, a FINRA hearing panel issued a decision finding that Mr. Hurry, as the founder of Scottsdale Capital Advisors Corp., violated FINRA Rule 2010 in connection with the firm's sale of unregistered securities of three issuers that the hearing panel concluded had violated Section 5 of the Securities Act of 1933. The panel found that although Mr. Hurry had no direct involvement in the violative transactions, he engaged in activities designed to enable those transactions and to evade regulatory scrutiny. The panel imposed a permanent bar on Mr. Hurry. Mr. Hurry is appealed the panel's decision to FINRA's National Adjudicatory Council which ruled in FINRA's favor on July 20. Mr. Hurry appealed his bar to the SEC, which granted a stay based on the outcome of the SEC's review. All sanctions will be stayed pending the SEC's decision., and all sanctions will be stayed pending a final decision by the SEC.

Filing ID 49535972 Form (Form Version) U6 (05/2009)
 Filing Date 08/07/2018
 Source FINRA
 Disclosure Questions Answered

Regulatory Action **DRP** DRP Version 05/2009

1. Regulatory Action initiated by:

- A. Initiated by: Self Regulatory Organization

Individual 2146449 - HURRY, JOHN JOSEPH

Reportable Events

Regulatory Action **DRP**

DRP Version 05/2009

- B. Full name of regulator: FINRA
2. Sanction(s) sought: Other: N/A
3. Date initiated/Explanation: 05/15/2015
4. Docket/Case#: 2014041724601
5. Employing firm: ALPINE SECURITIES CORPORATION; SCOTTSDALE CAPITAL ADVISORS CORP
6. Product type(s): Other: MICROCAP STOCKS
7. Allegation(s): HURRY WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT HE ACTED IN CONTRAVENTION OF SECTION 5 OF THE SECURITIES ACT OF 1933 BY BEING A NECESSARY PARTICIPANT AND SUBSTANTIAL FACTOR IN THE SALES OF SECURITIES THAT WERE NOT REGISTERED WITH THE SEC, IN TRANSACTIONS THAT WERE NOT EXEMPT FROM REGISTRATION.
8. Current status: On Appeal
9. Limitations or restrictions while pending: No
10. If on appeal:
- A. Appealed to: SEC
- B. Date appealed/Explanation: 07/23/2018
- C. Limitations or restrictions while on appeal: Yes
On August 6, 2018, the SEC rendered order-granting stay. Stay is granted subject to the condition that he "remain uninvolved in the stock deposit review process" and otherwise refrain from "managing the affairs of his firms or of any other SEC registered broker-dealer during the pendency of the Commission's review of the matter.
11. Resolution details:
- A. Resolution detail: Other: awaiting the NAC review
- B. Resolution date/Explanation: 07/23/2018
appealed date
12. Final order: No
13. Sanction detail:
- A. Sanctions ordered: Bar (Permanent)
- B. Other sanctions:
- C. Willful violation or failure to supervise: No
- i. Willfully violated:

Individual 2146449 - HURRY, JOHN JOSEPH

Reportable Events

Regulatory Action **DRP**

DRP Version 05/2009

ii. Willfully aided, abetted, counseled, commanded, induced, or procured:

iii. Failed reasonably to supervise another person:

D. Sanction type details:

Sanction type: Bar (Permanent)

Registration capacities affected: All capacities

Duration (length of time)/Explanation: n/a

Start date/Explanation: 07/20/2018

End date/Explanation: 08/05/2018

E. Requalification type details:

F. Monetary related sanction type details:

14. Comment:

Extended Hearing Panel decision rendered March 31, 2017 wherein Hurry was barred from association with any FINRA member in any capacity and ordered to pay costs, jointly and severally, for \$22,124.29. The sanctions were based on findings that Hurry engaged in activities designed to enable the unlawful transactions and evade regulatory scrutiny when his member firm engaged and participated in sales of securities that were not registered with the SEC, in transactions that were not exempt from registration. The findings stated that Hurry acted in contravention of Section 5 of the Securities Act of 1933 by being a necessary participant and substantial factor in the sales of unregistered securities. Hurry established a Cayman Island broker-dealer as an attractive intermediary for individuals engaged in the high-risk microcap stock liquidation business through foreign financial institutions. Hurry, through his indirect ownership and control of the firm, the firm's clearing firm, and the Cayman Island broker-dealer, allowed suspect microcap stock liquidations to be facilitated without the scrutiny that the transactions demanded. Hurry also intentionally and unreasonably delegated supervisory responsibility for the Cayman Island broker-dealer's high-risk microcap stock liquidation business to an individual who didn't have any prior securities industry experience. Hurry thereby engaged in activities designed to enable the unlawful transactions and evade regulatory scrutiny. On April 26, 2017, this matter was appealed to the National Adjudicatory Council (NAC) and the sanctions are not in effect pending review. On June 20, 2017, an Amended Extended Hearing Panel Decision was issued to correct a factual error. The amendment does not change the substance of the decision and remains on appeal with the NAC. NAC Decision rendered July 20, 2018, wherein Hurry was barred from association with any FINRA member in all capacities. Respondent was ordered to pay \$22,124.29, jointly and severally, in costs and to pay, separately, \$1,394.20 in costs. The NAC affirmed the findings and the sanctions imposed by the OHO. The sanctions were based on findings that

Individual 2146449 - HURRY, JOHN JOSEPH

Reportable Events

Regulatory Action DRP

DRP Version 05/2009

Hurry's member firm acted in contravention of Section 5 of the Securities Act of 1933 and sold millions of shares of unregistered microcap securities without the benefit of a registration exemption. Hurry's conduct was unethical, particularly as it related to his creation, management, and control of Cayman Securities. Hurry was the mastermind of the vertically integrated microcap-focused enterprise that served as the conduit for foreign customers to unload their risky microcap shares into an unsuspecting US securities market.

On July 23, 2018, respondent filed with the SEC an application for review of the FINRA NAC decision dated July 20, 2018.

On August 6, 2018, the SEC rendered order-granting stay.

Accordingly, it is ordered that Hurry's motion for the bar stay is granted subject to the condition that he "remain uninvolved in the stock deposit review process" and otherwise refrain from "managing the affairs of his firms or of any other SEC registered broker-dealer during the pendency of the Commission's review of the matter.

The sanction is not in effect pending review.

Regulator Archive and Z Records

Occurrence#	158177	Disclosure Type	Customer Complaint
FINRA Public Disclosable	No	Reportable	No
Material Difference in Disclosure	No		

Filing ID	68907	Form (Form Version)	U4 (08/1999)
Filing Date	07/07/1999		
Source	30576 - MERIT CAPITAL ASSOCIATES, INC.		

Disclosure Questions Answered

Customer Complaint DRP

DRP Version 10/2005

1. Customer name(s): ***22I(1) WAS ANSWERED ON THE DRP*** JOHN TAVILLA
2. Customer(s) state of residence:
Other state(s) of residence/Detail:
3. Employing firm: EDWARD D. JONES & CO., L.P.
4. Allegation(s): SOLD VARIABLE ANNUITY WITHOUT PERMISSION/INSTRUCTIONS. DAMAGES: \$2,417.00.
5. Principal product type:
Other product types:
6. Alleged compensatory damages: \$2,417.50
7. Date complaint received/Explanation: 12/10/1995
8. Currently pending: No
9. Status: Denied
10. Status date/Explanation:

Individual 2146449 - HURRY, JOHN JOSEPH

Regulator Archive and Z Records

Customer Complaint DRP

DRP Version 10/2005

- 11. Settlement amount:
- 12. Individual contribution amount:
- 13. Arbitration/Reparation claim filed with, Docket/Case#:
- 14. Date notice served/ Explanation:
- 15. Arbitration/Reparation pending:
- 16. Disposition:
- 17. Disposition date/Explanation:
- 18. Compensation amount:
- 19. Individual contribution amount:

- 20. Court, Docket/Case#:
- 21. Date/Explanation:
- 22. Litigation pending:
- 23. Disposition:
- 24. Date/Explanation:
- 25. Compensation amount:
- 26. Individual contribution amount:
- 27. Appeal date/Explanation:

28. Comment:

CLAIM DENIED
 I AM REQUESTING THAT THE MARK ON MY U-4 BE
 REMOVED. THE COMPLAINT WAS NOT VALID ANF IT HAS BEEN
 PASSED
 THE 24 MTH PERIOD. PLEASE UPDATE MY U-4.

Occurrence#	1723032	Disclosure Type	Investigation
FINRA Public Disclosable	No	Reportable	No
Material Difference in Disclosure	No		

Filing ID	39208870	Form (Form Version)	U4 (05/2009)
Filing Date	06/15/2015		
Source	14952 - ALPINE SECURITIES CORPORATION		
Disclosure Questions Answered	14G(2)		

Investigation DRP

DRP Version 05/2009

- 1. Investigation initiated by:
 - A. Notice received from: SRO
 - B. Full name of regulator: FINRA

Individual 2146449 - HURRY, JOHN JOSEPH

Regulator Archive and Z Records

Investigation DRP

DRP Version 05/2009

- 2. Notice date/Explanation: 09/12/2014
- 3. Nature of investigation: THE STAFF OF FINRA'S LA REGIONAL OFFICE ALLEGES VIOLATIONS OF FINRA RULE 2010 BASED ON FACILITATING ALLEGED VIOLATIONS OF SECTION 5 OF THE SECURITIES ACT OF 1933 AND ALLEGED AIDING AND ABETTING OF SAME.
- 4. Pending investigation: No
- 5. Resolution details:
 - A. Date resolved/Explanation: 05/15/2015
 - B. Investigation resolution: Closed - Regulatory Action Initiated
- 6. Comment: ON MAY 15, 2015, FINRA FILED A COMPLAINT AGAINST MR. HURRY, AS WELL AS SCOTTSDALE CAPITAL ADVISORS ("SCOTTSDALE") AND TWO OTHER INDIVIDUALS ASSOCIATED WITH SCOTTSDALE. MR. HURRY AND THE OTHER RESPONDENTS ARE CONTESTING THE COMPLAINT. THE COMPLAINT ALLEGES THAT SCOTTSDALE SOLD UNREGISTERED SHARES IN THREE LOW-PRICED STOCKS FOR CUSTOMERS OF A FINANCIAL FIRM THAT MR. HURRY INDIRECTLY OWNED. THE COMPLAINT DOES NOT SPECIFY THE RELIEF BEING SOUGHT AGAINST MR. HURRY. MR. HURRY WAS NOT REGISTERED WITH SCOTTSDALE AT THE TIME OF THE STOCK SALES AND HAD NO ROLE WITH RESPECT TO THOSE TRANSACTIONS. MR. HURRY AND THE OTHER RESPONDENTS DISPUTE THE ALLEGATIONS AGAINST THEM AND ARE REQUESTING A HEARING. FINRA'S COMPLAINT IS WRONG ON BOTH THE FACTS AND THE LAW. MR. HURRY COMPLIED AT ALL TIMES WITH HIS OBLIGATIONS UNDER THE SECURITIES LAWS AND FINRA RULES, AS THE EVIDENCE WILL SHOW AT A HEARING."

Filing ID 37559171 Form (Form Version) U5 (05/2009)
 Filing Date 10/10/2014
 Source 118786 - SCOTTSDALE CAPITAL ADVISORS CORP
 Disclosure Questions Answered 7A

Investigation DRP

DRP Version 05/2009

- 1. Investigation initiated by:
 - A. Notice received from: SRO
 - B. Full name of regulator: FINRA
- 2. Notice date/Explanation: 09/12/2014
- 3. Nature of investigation: INVESTIGATION OF WHETHER THE FIRM VIOLATED FINRA RULE 2010 BY ALLEGEDLY SELLING SECURITIES IN VIOLATION OF SECTION 5 OF THE SECURITIES ACT OF 1933 AND WHETHER MR. HURRY, A CO-OWNER OF THE FIRM, AIDED AND ABETTED OR CAUSED THE ALLEGED VIOLATIONS.
- 4. Pending investigation: Yes

Individual 2146449 - HURRY, JOHN JOSEPH

Regulator Archive and Z Records

Investigation DRP

DRP Version 05/2009

5. Resolution details:

A. Date resolved/Explanation:

B. Investigation resolution:

6. Comment:

MR. HURRY BELIEVES THAT SUCH CHARGES WOULD BE WITHOUT MERIT AND THAT THE WELLS NOTICE IS PREMATURE BECAUSE THE INVESTIGATION IS MATERIALLY INCOMPLETE. MR. HURRY INTENDS TO VIGOROUSLY CONTEST ANY CHARGES IF THEY ARE BROUGHT.

Filing ID 39122330
Filing Date 06/01/2015
Source FINRA
Disclosure Questions Answered

Form (Form Version) U6 (05/2009)

Investigation DRP

DRP Version 05/2009

1. Investigation initiated by:

A. Notice received from: SRO

B. Full name of regulator: FINRA

2. Notice date/Explanation: 09/12/2014

3. Nature of investigation: WELLS NOTICE EXAMINATION #20140417246: FINRA MADE A PRELIMINARY DETERMINATION TO RECOMMEND THAT DISCIPLINARY ACTION BE BROUGHT AGAINST HURRY FOR POTENTIAL VIOLATIONS OF FINRA RULE 2010, BY VIRTUE OF VIOLATING SECTION 5 OF THE SECURITIES ACT OF 1933, AND AIDING AND ABETTING VIOLATIONS OF SECTION 5 OF THE SECURITIES ACT OF 1933.

4. Pending investigation: No

5. Resolution details:

A. Date resolved/Explanation: 05/15/2015

B. Investigation resolution: Closed - Regulatory Action Initiated

6. Comment:

APPENDIX C

Individual 4623652 - DIBLASI, TIMOTHY BRIAN

Administrative Information

Composite Information

Full Legal Name DIBLASI, TIMOTHY BRIAN
 State of Residence AZ

Active Employments

Current Employer SCOTTSDALE CAPITAL ADVISORS CORP(118786)

Firm Main Address 7170 E. MCDONALD RD. SUITE 6
 SCOTTSDALE AZ
 AZ
 85253

Firm Mailing Address 7170 E. MCDONALD RD. SUITE 6
 SCOTTSDALE AZ
 AZ, USA
 85253

Business Telephone# 480-603-4900

Independent Contractor No

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
277127			Yes	No	04/09/2012		Located At
	Address 7170 E. MC DONALD DR. SUITE 6 SCOTTSDALE, AZ 85253 United States						
BD Main			Yes	No	04/09/2012		Located At
	Address 7170 E. MCDONALD RD. SUITE 6 SCOTTSDALE AZ, AZ 85253						

Reportable Disclosures? Yes

Statutory Disqualification? BLNK

Registered With Multiple Firms? No

Material Difference in Disclosure? No

Personal Information

Individual CRD# 4623652

Other Names Known By <<No Other Names found for this Individual.>>

Year of Birth 1975

Registrations with Current Employer(s)

From 04/09/2012 To Present SCOTTSDALE CAPITAL ADVISORS CORP(118786)

Regulator	Registration Category	Status Date	Registration Status	Approval Date
AZ	AG	04/30/2012	APPROVED	04/30/2012
FINRA	CR	10/01/2018	APPROVED	10/01/2018

Individual 4623652 - DIBLASI, TIMOTHY BRIAN

Administrative Information

Registrations with Current Employer(s)

Regulator	Registration Category	Status Date	Registration Status	Approval Date
FINRA	FN	02/12/2013	APPROVED	02/12/2013
FINRA	MP	11/06/2012	APPROVED	11/06/2012
FINRA	OS	07/19/2012	APPROVED	07/19/2012
FINRA	GP	04/10/2012	APPROVED	04/09/2012
FINRA	GS	04/10/2012	APPROVED	04/09/2012
FINRA	IR	04/10/2012	APPROVED	04/09/2012
NQX	FN	10/03/2013	T_NOU5	09/03/2013
NQX	GP	10/03/2013	T_NOU5	09/03/2013
NQX	GS	10/03/2013	T_NOU5	09/03/2013
NQX	IR	10/03/2013	T_NOU5	09/03/2013
TX	AG	05/07/2014	APPROVED	05/07/2014

Registrations with Previous Employer(s)

From 12/02/2002 To 03/30/2012 FIRST INVESTORS CORPORATION(305)

Reason for Termination Voluntary

Termination Comment

Regulator	Registration Category	Status Date	Registration Status	Approval Date
FINRA	GP	04/03/2012	TERMED	05/17/2010
FINRA	GS	04/03/2012	T_NOREG	
FINRA	GS	04/03/2012	TERMED	12/23/2008
FINRA	IR	04/03/2012	TERMED	03/19/2004

Individual 4623652 - DIBLASI, TIMOTHY BRIAN

Administrative Information
Professional Designations

<<No Professional Designations found for this Individual.>>

Employment History

From	04/2012	To	Present	Name	SCOTTSDALE CAPITAL ADVISORS
				Location	SCOTTSDALE, AZ, United States
				Position	COMPLIANCE OFFICER
				Investment Related	Yes
From	12/2002	To	03/2012	Name	FIRST INVESTORS CORPORATION
				Location	EDISON, NJ, United States
				Position	COMPLIANCE ANALYST
				Investment Related	Yes
From	02/2007	To	02/2009	Name	DFA CONSULTANTS
				Location	HAZLET, NJ, United States
				Position	ACCOUNTIN
				Investment Related	No
From	01/1997	To	05/2006	Name	INDEPENDENT MUSICIAN
				Location	HIGHLANDS, NJ, United States
				Position	MUSICIAN
				Investment Related	No
From	08/1997	To	12/2002	Name	ECKLAND CONSULTANTS
				Location	WOODBIDGE, NJ, United States
				Position	ADMIN
				Investment Related	No
From	09/2000	To	05/2002	Name	MONMOUTH UNIV
				Location	LONG BRANCH, NJ, United States
				Position	STUDENT
				Investment Related	No
From	08/1997	To	05/2002	Name	REGINAS RESTAURANT
				Location	ATLANTIC HIGHLANDS, NJ, United States
				Position	PT WAITER
				Investment Related	No
From	09/1999	To	05/2000	Name	WILLIAM PATTERSON UNIV
				Location	WAYNE , NJ, United States
				Position	STUDENT

Individual 4623652 - DIBLASI, TIMOTHY BRIAN

Administrative Information

Employment History

			Investment Related	No
From	09/1997	To	05/1999	
		Name	BROOKDALE COLLEGE	
		Location	LINCROFT, NJ, United States	
		Position	STUDENT	
			Investment Related	No
From	11/1993	To	01/1997	
		Name	US ARMY	
		Location	FT BRAGG, NC, United States	
		Position	TEAM LEADER E 4	
			Investment Related	No

Office of Employment History

From 04/2012 To Present
 Name SCOTTSDALE CAPITAL ADVISORS CORP(118786)

Independent Contractor No

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
277127			Yes	No	04/09/2012		Located At
	Address 7170 E. MC DONALD DR. SUITE 6 SCOTTSDALE, AZ 85253 United States						
BD Main			Yes	No	04/09/2012		Located At
	Address 7170 E. MCDONALD RD. SUITE 6 SCOTTSDALE AZ, AZ 85253						

From 12/2002 To 03/2012
 Name FIRST INVESTORS CORPORATION(305)

Independent Contractor No

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
110038			Yes	No	03/19/2004	03/30/2012	Located At
	Address RARITAN PLAZA 1, P.O. BOX 7838 EDISON, NJ 08818-7838 United States						
			No	No	12/02/2002	02/07/2006	Located At
	Address RARITAN PLAZA 1, 8TH FLOOR EDISON, NJ 08837-3620 United States						

From 12/2002 To 11/2003
 Name FIRST INVESTORS CORPORATION(305)

Independent Contractor No

Individual 4623652 - DIBLASI, TIMOTHY BRIAN

Administrative Information

Office of Employment History

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
			No	No	12/02/2002	11/25/2003	
Address 581 MAIN ST WOODBRIDGE, NJ United States							

Other Business

<<No Other Business found for this Individual.>>

Exam Appointments

<<No Exam Appointments found for this Individual.>>

Exam History

Exam	Enrollment ID	Exam Status	Status Date	Exam Date	Grade	Score	Window Dates	Exam Validity
SIE	37266467	Credit	10/01/2018				-	Valid
S6	24771197	Official Result	03/19/2004	03/18/2004	Passed		11/26/2003-03/25/2004	Valid
S7	24771200	Official Result	12/23/2008	12/21/2008	Passed		10/02/2008-01/30/2009	Valid
S24	24771194	Official Result	05/17/2010	05/14/2010	Passed		01/20/2010-05/20/2010	Valid
S27	24771195	Official Result	02/12/2013	02/11/2013	Passed		11/30/2012-03/30/2013	Valid
S53	24771196	Official Result	11/06/2012	11/05/2012	Passed		07/10/2012-11/07/2012	Valid
S63	24771198	Official Result	04/24/2012	04/23/2012	Passed		04/10/2012-08/08/2012	Valid

CE Regulatory Element Status

Current CE Status SATISFIED
 CE Base Date 03/19/2004

CE Appointments

<<No CE Appointments found for this Individual.>>

Current CE

<<No Current CE found for this Individual.>>

Next CE

Window Dates	Enrollment ID	Requirement Type	Session
03/19/2021-07/16/2021	36616874	Anniversary	201

Individual 4623652 - DIBLASI, TIMOTHY BRIAN

Administrative Information

CE Directed Sequence History

<<No CE Directed Sequence History found for this Individual.>>

Inactive CE History Dates

<<No Inactive CE History Dates found for this Individual.>>

Previous CE Requirement Status

Requirement Type	Enrollment ID	Session	Status	Status Date	Window Dates	Result
Anniversary	34900418	201			03/19/2018-07/16/2018	
Anniversary	34900418	201	SATISFIED	06/12/2018	03/19/2018-07/16/2018	06/12/2018 - CMPLT
Anniversary	34900418	201	REQUIRED	03/19/2018	03/19/2018-07/16/2018	
Anniversary	33546108	201			03/19/2015-07/16/2015	
Anniversary	33546108	201	SATISFIED	06/12/2015	03/19/2015-07/16/2015	06/12/2015 - CMPLT
Anniversary	33546108	201	REQUIRED	03/19/2015	03/19/2015-07/16/2015	
Anniversary	32580673	201	SATISFIED	04/23/2012	03/19/2012-07/16/2012	04/23/2012 - CMPLT
Anniversary	32580673	201	REQUIRED	03/19/2012	03/19/2012-07/16/2012	
Anniversary	31605188	101	SATISFIED	06/03/2009	03/19/2009-07/16/2009	06/03/2009 - CMPLT
Anniversary	31605188	101	REQUIRED	03/19/2009	03/19/2009-07/16/2009	
Anniversary	30591032	106	SATISFIED	04/07/2006	03/19/2006-07/16/2006	04/07/2006 - CMPLT
Anniversary	30591032	106	REQUIRED	03/20/2006	03/19/2006-07/16/2006	

Filing History

Date	Type	Submitted by
10/01/2018	U4 ADMIN	
08/10/2018	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
07/25/2018	U6 CRD Individual	FINRA
07/24/2018	U6 CRD Individual	FINRA
02/06/2018	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
06/22/2017	U6 CRD Individual	FINRA
05/01/2017	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
04/28/2017	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
04/28/2017	U6 CRD Individual	FINRA
04/11/2017	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
04/05/2017	U6 CRD Individual	FINRA
06/15/2015	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)

Individual 4623652 - DIBLASI, TIMOTHY BRIAN

Administrative Information

Filing History

Date	Type	Submitted by
05/20/2015	U6 CRD Individual	FINRA
02/27/2015	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
09/23/2014	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
05/07/2014	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
09/03/2013	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
11/29/2012	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
10/25/2012	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
07/19/2012	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
07/09/2012	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
04/09/2012	U4 Relicense All	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
04/03/2012	U5 Full	FORESTERS FINANCIAL SERVICES, INC. (305)
12/01/2010	U4 Amendment	FORESTERS FINANCIAL SERVICES, INC. (305)
01/19/2010	U4 Amendment	FORESTERS FINANCIAL SERVICES, INC. (305)
09/02/2009	U4 Amendment	FORESTERS FINANCIAL SERVICES, INC. (305)
02/17/2009	U4 Amendment	FORESTERS FINANCIAL SERVICES, INC. (305)
10/01/2008	U4 Amendment	FORESTERS FINANCIAL SERVICES, INC. (305)
10/19/2007	U4 Amendment	FORESTERS FINANCIAL SERVICES, INC. (305)
03/15/2007	U4 Amendment	FORESTERS FINANCIAL SERVICES, INC. (305)
05/08/2006	U4 Amendment	FORESTERS FINANCIAL SERVICES, INC. (305)
02/07/2006	U4 Individual Branch Link	FORESTERS FINANCIAL SERVICES, INC. (305)
03/24/2005	U4 Amendment	FORESTERS FINANCIAL SERVICES, INC. (305)
11/25/2003	U4 Initial	FORESTERS FINANCIAL SERVICES, INC. (305)
01/08/2003	NRF Initial	FORESTERS FINANCIAL SERVICES, INC. (305)

Individual 4623652 - DIBLASI, TIMOTHY BRIAN

Reportable Events

Regulatory Action DRP

DRP Version 05/2009

5 OF THE SECURITIES ACT OF 1933. THE COMPLAINT ALLEGES THAT SCOTTSDALE AND MR. DIBLASI VIOLATED NASD RULE 3010(A), (B) AND FINRA RULE 2010 BY NOT ESTABLISHING AND MAINTAINING A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH SECTION 5 FOR SALES OF UNREGISTERED LOW-PRICED STOCKS.

8. Current status: On Appeal
9. Limitations or restrictions while pending: No
10. If on appeal:
- A. Appealed to: SEC
- B. Date appealed/Explanation: 07/23/2018
- C. Limitations or restrictions while on appeal: No
11. Resolution details:
- A. Resolution detail: Other: Pending SEC Review
- B. Resolution date/Explanation: 07/23/2018
Appealed date
12. Final order: No
13. Sanction detail:
- A. Sanctions ordered:
- B. Other sanctions:
- C. Sanction type details:
- D. Requalification type details:
- E. Monetary related sanction type details:
14. Comment: On March 31, 2017, FINRA hearing panel issued a decision finding that Mr. DiBlasi, as Chief Compliance Officer of Scottsdale Capital Advisors Corp., violated FINRA Rule 2010 and NASD Rule 3010 by failing to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to ensure compliance with Section 5 of the Securities Act of 1933. The panel suspended Mr. DiBlasi for two years and assessed a fine of \$50,000. Mr. DiBlasi appealed the panel's decision to FINRA's National Adjudicatory Council which ruled in FINRA's favor on July. Mr. DiBlasi has appealed to the SEC and all sanctions will be stayed pending the SEC's decision.

Filing ID

49437216

Form (Form Version)

U6 (05/2009)

Individual 4623652 - DIBLASI, TIMOTHY BRIAN

Reportable Events

Filing Date 07/25/2018
Source FINRA
Disclosure Questions Answered

Regulatory Action DRP

DRP Version 05/2009

1. Regulatory Action initiated by:

- A. Initiated by: Self Regulatory Organization
- B. Full name of regulator: FINRA

2. Sanction(s) sought: Other: N/A

3. Date initiated/Explanation: 05/15/2015

4. Docket/Case#: 2014041724601

5. Employing firm: SCOTTSDALE CAPITAL ADVISORS CORP

6. Product type(s): Other: MICROCAP STOCKS

7. Allegation(s): DIBLASI WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT AS THE CHIEF COMPLIANCE OFFICER (CCO) OF HIS MEMBER FIRM HE FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH SECTION 5 OF THE SECURITIES ACT OF 1933 FOR SALES OF UNREGISTERED SHARES OF MICROCAP STOCKS. THE COMPLAINT ALLEGES THAT THE WSPS PROVIDED INSUFFICIENT GUIDANCE ON IDENTIFYING THE TRUE BENEFICIAL OWNERS OF MICROCAP STOCKS SOLD FOR CUSTOMERS INTRODUCED THROUGH FOREIGN FINANCIAL INSTITUTIONS. THE PROCEDURES FOR CONDUCTING A REASONABLE INQUIRY OF THE CIRCUMSTANCES SURROUNDING DEPOSITS AND SALES OF MICROCAP STOCKS FOR SUCH CUSTOMERS RELIED TOO HEAVILY ON INFORMATION OBTAINED FROM INTERESTED PARTIES. THE WSPS FAILED TO REQUIRE THAT THE INQUIRY INCLUDE APPROPRIATE INDEPENDENT DUE DILIGENCE AND ANALYSIS OF THE CLAIMED REGISTRATION EXEMPTIONS.

8. Current status: On Appeal

9. Limitations or restrictions while pending: No

10. If on appeal:

- A. Appealed to: SEC
- B. Date appealed/Explanation: 07/23/2018

C. Limitations or restrictions while on appeal: No

11. Resolution details:

- A. Resolution detail: Other: awaiting the SEC review

Individual 4623652 - DIBLASI, TIMOTHY BRIAN

Reportable Events

Regulatory Action **DRP**

DRP Version 05/2009

Section 5 of the Securities Act of 1933 and sold millions of shares of unregistered microcap securities without the benefit of a registration exemption. The findings stated that the firm and DiBlasi failed to establish and maintain supervisory systems, including WSPs that were reasonably designed to achieve compliance with Section 5 of the Securities Act. DiBlasi was the firm's chief operating officer (COO) when it did the liquidation of the microcap securities.. Once DiBlasi became CCO, he had both the authority and responsibility under the WSPs to update them to reflect the firm's current assignment of responsibilities. DiBlasi did not update the WSPs even as to the scope of his own responsibilities, and he did not name another principal as responsible for maintaining the WSPs for Rule 144 transactions. Nevertheless, the firm's WSPs were deficient. The firm's WSPs failed to clarify who was responsible for updating the WSPs and who supervised the Rule 144 review process. Also, the firm's WSPs did not accurately describe the firm's microcap securities business.

On July 23, 2018, respondent filed with the SEC an application for review of the FINRA NAC decision dated July 20, 2018. The sanctions are not in effect pending the review.

Occurrence#	1929498	Disclosure Type	Bankruptcy
FINRA Public Disclosable	Yes	Reportable	Yes
Material Difference in Disclosure	No		
Filing ID	46198747	Form (Form Version)	U4 (05/2009)
Filing Date	04/11/2017		
Source	118786 - SCOTTSDALE CAPITAL ADVISORS CORP		
Disclosure Questions Answered	14K(1)		

Bankruptcy/SIPC/Compromise with Creditors **DRP**

DRP Version 05/2009

1. Action type: Bankruptcy Chapter 13
2. Action date/Explanation: 03/14/2017
3. Organization:
 - A. Organization name:
 - B. Position, title or relationship:
 - C. Investment-related business:
4. Court: Federal Court
 - A. Name of court: United States Bankruptcy Court District of Arizona
 - B. Location of court: Phoenix, AZ
 - C. Docket/Case#: 2:17-bk-02377
5. Currently pending: Yes
6. Disposition type:

Individual 4623652 - DIBLASI, TIMOTHY BRIAN

Reportable Events

Bankruptcy/SIPC/Compromise with Creditors **DRP** **DRP Version** 05/2009

7. Disposition date/Explanation:

8. Compromise with creditors:

A. Name of creditor:

B. Original amount owed:

C. Terms/compromise reached with creditor:

9. Trustee/Payment:

A. Amount paid:

The name of the trustee:

B. Currently open:

C. Direct Payment

Initiated

Date/Explanation:

10. Comment:

Unconventional funding was obtained with intent to invest in real estate. Real estate investment has yet to provide the necessary cash flow to cover monies owed. Chapter 13 was necessary to protect personal assets.

Regulator Archive and Z Records

Occurrence#	1747428	Disclosure Type	Investigation
FINRA Public Disclosable	No	Reportable	No
Material Difference in Disclosure	No		

Filing ID	39218190	Form (Form Version)	U4 (05/2009)
Filing Date	06/15/2015		
Source	118786 - SCOTTSDALE CAPITAL ADVISORS CORP		
Disclosure Questions Answered	14G(2)		

Investigation **DRP** **DRP Version** 05/2009

1. Investigation initiated by:

A. Notice received from: SRO

B. Full name of regulator: FINRA

2. Notice date/Explanation: 01/29/2015

3. Nature of investigation: ON JANUARY 29, 2015, THE FINRA DEPARTMENT OF ENFORCEMENT INFORMED MR. DIBLASI THAT THEY HAD MADE A PRELIMINARY DETERMINATION TO RECOMMEND THAT DISCIPLINARY ACTION BE BROUGHT FOR VIOLATIONS OF NASD RULE 2010, AND FINRA RULES 3010 AND 3310.

4. Pending investigation: Yes

5. Resolution details:

Individual 4623652 - DIBLASI, TIMOTHY BRIAN

Regulator Archive and Z Records

Investigation DRP

DRP Version 05/2009

- A. Date resolved/Explanation: 05/15/2015
 - B. Investigation resolution: Closed - Regulatory Action Initiated
 - 6. Comment: MR. DIBLASI BELIEVES THE RECOMMENDATION HAS NO LEGAL OR FACTUAL BASIS. THE PROPOSED RECOMMENDATION FAILS TO RECOGNIZE THE COMPREHENSIVE SUPERVISORY AND AML SYSTEMS IN PLACE AT THE FIRM. MR. DIBLASI ACTED APPROPRIATELY AT ALL TIMES.
-

APPENDIX D

Individual 2450344 - CRUZ, DARREL MICHAEL

**Administrative Information
 Composite Information**

Full Legal Name CRUZ, DARREL MICHAEL
 State of Residence AZ
 Active Employments <<No Current Active Employments found for this Individual.>>
 Reportable Disclosures? Yes
 Statutory Disqualification? BLNK
 Registered With Multiple Firms? No
 Material Difference in Disclosure? No

Personal Information

Individual CRD# 2450344
 Other Names Known By <<No Other Names found for this Individual.>>
 Year of Birth 1964

Registrations with Current Employer(s)

<<No Registrations with Current Employer(s) found for this Individual.>>

Registrations with Previous Employer(s)

From 05/20/2008 To 01/29/2015 SCOTTSDALE CAPITAL ADVISORS CORP(118786)

Reason for Termination Voluntary

Termination Comment

Regulator	Registration Category	Status Date	Registration Status	Approval Date
AZ	AG	01/29/2015	TERMED	07/14/2008
FINRA	GP	01/29/2015	TERMED	05/21/2008
FINRA	GS	01/29/2015	TERMED	05/21/2008
FINRA	IB	01/29/2015	TERMED	11/03/2009
FINRA	OS	01/29/2015	TERMED	11/21/2011
FL	AG	01/29/2015	TERMED	02/12/2010
NQX	GP	10/03/2013	T_NOU5	07/19/2011
NQX	GS	10/03/2013	T_NOU5	07/19/2011

From 01/09/2007 To 05/09/2008 COUNTRYWIDE INVESTMENT SERVICES, INC.(103919)

Reason for Termination Voluntary

Termination Comment

Regulator	Registration Category	Status Date	Registration Status	Approval Date
FINRA	GP	05/09/2008	TERMED	09/29/2007
FINRA	GS	05/09/2008	TERMED	01/09/2007

From 10/10/2005 To 03/03/2006 WELLS FARGO INVESTMENTS, LLC(10582)

Reason for Termination Voluntary

Termination Comment

Regulator	Registration Category	Status Date	Registration Status	Approval Date
FINRA	GS	03/08/2006	TERMED	01/24/2006

Individual 2450344 - CRUZ, DARREL MICHAEL

Administrative Information**Registrations with Previous Employer(s)**

From 12/08/2004 To 06/16/2005 CITIGROUP GLOBAL MARKETS INC.(7059)

Reason for Termination Voluntary

Termination Comment

Regulator	Registration Category	Status Date	Registration Status	Approval Date
CBOE	GS	07/07/2005	TERMED	05/26/2005
FINRA	GP	07/07/2005	T_NOREG	
FINRA	GS	07/07/2005	TERMED	05/26/2005
NYSE	GS	07/07/2005	TERMED	05/25/2005
NYSE-AMER	GS	07/07/2005	TERMED	05/26/2005
NYSE-AMER	GP	06/02/2005	T_NOREG	
NYSE-ARCA	GS	07/07/2005	TERMED	05/26/2005
PHLX	GS	07/07/2005	TERMED	05/26/2005

From 01/06/1994 To 05/15/2000 COAST PARTNERS FINANCIAL CORPORATION(30687)

Reason for Termination Voluntary

Termination Comment

Regulator	Registration Category	Status Date	Registration Status	Approval Date
CA	AG	05/15/2000	TERMED	08/15/1994
FINRA	GP	05/15/2000	TERMED	01/27/1999
FINRA	GS	05/15/2000	TERMED	07/14/1994

Individual 2450344 - CRUZ, DARREL MICHAEL

Administrative Information
Professional Designations

<<No Professional Designations found for this Individual.>>

Employment History

From	05/2008	To	Present	Name	SCOTTSDALE CAPITAL ADVISOR
				Location	SCOTTSDALE, AZ, United States
				Position	COMPLIANCE OFFICER- LEGAL COUNSEL
				Investment Related	Yes
From	01/2007	To	05/2008	Name	COUNTRYWIDE INVESTMENT SERVICES, INC.
				Location	CHANDLER, AZ, United States
				Position	LEGAL COUNSEL
				Investment Related	Yes
From	03/2006	To	05/2008	Name	COUNTRYWIDE BANK, NA
				Location	THOUSAND OAKS, CA, United States
				Position	1ST VP, SENIOR LEGAL COUNSEL
				Investment Related	No
From	10/2005	To	03/2006	Name	WELLS FARGO BANK, N.A.
				Location	PHOENIX, AZ, United States
				Position	COMPLIANCE AUDITOR
				Investment Related	No
From	10/2005	To	03/2006	Name	WELLS FARGO INVESTMENTS, LLC
				Location	SAN FRANCISCO, CA, United States
				Position	COMPLIANCE AUDITOR
				Investment Related	Yes
From	07/2005	To	09/2005	Name	UNEMPLOYED
				Location	TEMPE, AZ, United States
				Position	PREPARING AND SITTING FOR ARIZONA BAR
				Investment Related	No
From	12/2004	To	06/2005	Name	CITIGROUP GLOBAL MARKETS INC.
				Location	NEW YORK, NY, United States
				Position	VICE PRESIDENT SMITH-BARNEY COMPLIANCE
				Investment Related	Yes
From	05/2003	To	12/2004	Name	NASD - DISTRICT 10
				Location	NEW YORK, NY, United States
				Position	SENIOR COMPLIANCE EXAMINER

Individual 2450344 - CRUZ, DARREL MICHAEL

**Administrative Information
 Employment History**

			Investment Related	No
From	05/2000	To	05/2003	
		Name	NASD - DISTRICT 1	
		Location	SAN FRANCISCO, CA, United States	
		Position	SENIOR COMPLIANCE EXAMINER	
		Investment Related	No	
From	06/1998	To	05/2000	
		Name	COAST PARTNERS CAPITALCORP, INC	
		Location	SAN FRANCISCO, CA, United States	
		Position	OTHER - VICE PRESIDENT SHAREHOLDER	
		Investment Related	No	
From	01/1994	To	05/2000	
		Name	COAST PARTNERS SECURITIES, INC	
		Location	SAN FRANCISCO, CA, United States	
		Position	SENIOR VICE PRESIDENT/ ATTORNEY	
		Investment Related	Yes	

Office of Employment History

From 05/2008 To 01/2015
 Name SCOTTSDALE CAPITAL ADVISORS CORP(118786)

Independent Contractor No

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
BD Main			Yes	No	05/20/2008	01/29/2015	Located At
	Address 7170 E. MCDONALD RD. SUITE 6 SCOTTSDALE AZ, AZ 85253						
402455			Yes	No	04/20/2009	05/20/2011	Located At
	Address 103 BROADWAY BANGOR, PA 18013 United States						
277127			Yes	No	11/04/2008	05/20/2011	Located At
	Address 7170 E. MC DONALD DR. SUITE 6 SCOTTSDALE, AZ 85253 United States						
363845			Yes	No	11/04/2008	02/01/2011	Located At
	Address 535 5TH AVE 35TH FLOOR NEW YORK, NY 10017 United States						
315101			Yes	No	11/04/2008	12/20/2010	Located At
	Address 2389 MAIN ST GLASTONBURY, CT 06033 United States						
419514			Yes	No	09/16/2009	06/18/2010	Located At
	Address 401 CENTER POINTE CIRCLE STE 1501 ALTAMONTE SPRINGS,, FL 32701 United States						

Individual 2450344 - CRUZ, DARREL MICHAEL

Administrative Information

Office of Employment History

Office of Employment Address

427839	Yes	Yes	11/17/2009	02/12/2010	Located At
Address 6902 PALMETTO CIRCLE SOUTH \$808 BOCA RATON, FL 33433 United States					
386035	Yes	Yes	11/04/2008	07/21/2009	Located At
Address 6847 S. ELIZABETH ST CENTENNIAL, CO 80122 United States					
389874	Yes	No	12/18/2008	06/25/2009	Located At
Address 7373 E. DOUBLETREE RANCH RD #200 SCOTTSDALE, AZ 85253 United States					
400479	Yes	No	03/27/2009	04/28/2009	Located At
Address 65 ENTERPRISE STE 125 ALISO VIEJO, CA 92656 United States					
389871	Yes	Yes	12/18/2008	04/28/2009	Located At
Address 4116 LAWNGATE DR DALLAS, TX 75287 United States					
383283	Yes	No	11/04/2008	04/28/2009	Located At
Address 4232 BALBOA AVE SUITE 8 SAN DIEGO, CA 92117 United States					
301656	Yes	No	11/04/2008	02/02/2009	Located At
Address 111 N. SEPULVEDA BLVD, SUITE 250 MANHATTAN BEACH, CA 90266 United States					
373429	Yes	No	11/04/2008	12/18/2008	Located At
Address 1801 CENTURY PARK EAST 24TH FL LOS ANGELES, CA 90067 United States					
379150	Yes	Yes	11/04/2008	12/03/2008	Located At
Address 1407 BELMONT PLACE BOYNTON BEACH, FL 33436 United States					

From 01/2007 To 05/2008

Name COUNTRYWIDE INVESTMENT SERVICES, INC.(103919)

Independent Contractor No

Office of Employment Address

<u>CRD Branch#</u>	<u>Branch Code#</u>	<u>Firm Billing Code</u>	<u>Registered Location?</u>	<u>Private Residence?</u>	<u>Address Start Date</u>	<u>Address End Date</u>	<u>Type of Office</u>
201169			Yes	No	01/09/2007	05/09/2008	Located At
Address 2595 W. CHANDLER BLVD., AZ1-804-01-13 CHANDLER, AZ 85224 United States							

From 10/2005 To 03/2006

Name WELLS FARGO INVESTMENTS, LLC(10582)

Independent Contractor No

Office of Employment Address

Individual 2450344 - CRUZ, DARREL MICHAEL

Administrative Information

Office of Employment History

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
131891			Yes	No	10/10/2005	03/03/2006	Located At

Address 100 W. WASHINGTON
PHOENIX, AZ 85003 United States

From 12/2004 To 06/2005

Name CITIGROUP GLOBAL MARKETS INC.(7059)

Independent Contractor No

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
			No	No	12/08/2004	06/16/2005	Located At

Address 77 WATER STREET
NEW YORK, NY 10005 United States

From 12/2004 To 04/2005

Name CITIGROUP GLOBAL MARKETS INC.(7059)

Independent Contractor No

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
			No	No	12/27/2004	04/20/2005	

Address 390 GREENWICH STREET
NY, NY 10013 United States

From 01/1994 To 05/2000

Name COAST PARTNERS FINANCIAL CORPORATION(30687)

Independent Contractor No

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
			No	No	01/06/1994	05/15/2000	Located At

Address 851 IRWIN STREET, SUITE 102
SAN RAFAEL, CA 94901 United States

Other Business

<<No Other Business found for this Individual.>>

Exam Appointments

Individual 2450344 - CRUZ, DARREL MICHAEL

Administrative Information

<<No Exam Appointments found for this Individual.>>

Exam History

Exam ID	Enrollment ID	Exam Status	Status Date	Exam Date	Grade	Score	Window Dates	Exam Validity
SIE	37663124	Credit	01/29/2015				-	Valid until 01/29/2019
S7	21119904	Official Waiver	05/26/2005				04/21/2005-08/19/2005	Expired
S7	21119903	Official Waiver	05/25/2005				-	Expired
S7	21119902	Official Result	07/13/1994	07/13/1994	Passed		-	Expired
S24	21119896	Official Result	09/29/2007	09/27/2007	Passed		07/07/2007-11/04/2007	Expired
S24	21119893	Official Result	01/21/1999	01/21/1999	Passed		-	Expired
S63	21119900	Official Result	07/14/2008	07/10/2008	Passed		05/22/2008-09/19/2008	Expired
S63	21119898	Official Result	08/12/1994	08/12/1994	Passed		-	Expired
S101	21119892	Official Result	05/25/2005	05/24/2005	Complete		05/17/2005-09/14/2005	N/A

CE Regulatory Element Status

Current CE Status 2YEARTERMED

CE Base Date

CE Appointments

<<No CE Appointments found for this Individual.>>

Current CE

<<No Current CE found for this Individual.>>

Next CE

<<No Next CE found for this Individual.>>

CE Directed Sequence History

<<No CE Directed Sequence History found for this Individual.>>

Inactive CE History Dates

From 09/22/2016 To 01/30/2017

Previous CE Requirement Status

Requirement Type	Enrollment ID	Session	Status	Status Date	Window Dates	Result
Anniversary	33838611	201			05/25/2016-09/21/2016	
Anniversary	33838611	201	2YEARTERMED	01/30/2017	05/25/2016-09/21/2016	
Anniversary	33838611	201	CEINACTIVE	09/22/2016	05/25/2016-	

Individual 2450344 - CRUZ, DARREL MICHAEL**Administrative Information****Previous CE Requirement Status**

Requirement Type	Enrollment ID	Session	Status	Status Date	Window Dates	Result
Anniversary	33838611	201	REQUIRED	05/25/2016	09/21/2016 05/25/2016-09/21/2016	
Anniversary	33077392	201	SATISFIED	07/08/2013	05/25/2013-09/21/2013	07/08/2013 - CMPLT
Anniversary	33077392	201	REQUIRED	05/27/2013	05/25/2013-09/21/2013	
Anniversary	32014512	201	SATISFIED	07/14/2010	05/25/2010-09/21/2010	07/14/2010 - CMPLT
Anniversary	32014512	201	REQUIRED	05/25/2010	05/25/2010-09/21/2010	
Anniversary	30997180	101	SATISFIED	08/14/2007	05/25/2007-09/21/2007	08/14/2007 - CMPLT
Anniversary	30997180	101	REQUIRED	05/25/2007	05/25/2007-09/21/2007	
Anniversary	28676573	201	SATISFIED	11/10/1999	07/14/1999-11/10/1999	11/10/1999 - CMPLT
Anniversary	28676573	201	REQUIRED	07/14/1999	07/14/1999-11/10/1999	
Anniversary	28067214	101		11/06/1996	07/14/1996-11/10/1996	11/06/1996 - CMPLT

Filing History

Date	Type	Submitted by
07/25/2018	U6 CRD Individual	FINRA
07/24/2018	U6 CRD Individual	FINRA
06/22/2017	U6 CRD Individual	FINRA
05/01/2017	U5 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
04/28/2017	U5 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
04/28/2017	U6 CRD Individual	FINRA
04/05/2017	U6 CRD Individual	FINRA
12/13/2016	U5 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
05/16/2016	U5 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
06/15/2015	U5 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
06/01/2015	U6 CRD Individual	FINRA
05/20/2015	U6 CRD Individual	FINRA
02/27/2015	U5 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
02/02/2015	U6 CRD Individual	FINRA
01/29/2015	U5 Full	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
10/15/2012	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
10/01/2012	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
06/04/2012	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
11/21/2011	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
07/19/2011	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)

Individual 2450344 - CRUZ, DARREL MICHAEL

Administrative Information

Filing History

Date	Type	Submitted by
05/20/2011	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
02/02/2011	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
12/21/2010	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
11/01/2010	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
06/18/2010	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
04/09/2010	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
03/02/2010	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
02/12/2010	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
02/12/2010	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
02/12/2010	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
02/12/2010	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
02/08/2010	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
01/26/2010	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
01/06/2010	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
11/17/2009	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
11/03/2009	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
09/18/2009	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
09/16/2009	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
07/21/2009	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
06/26/2009	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
05/21/2009	U4 Amendment	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
05/14/2009	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
05/14/2009	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
05/14/2009	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
05/14/2009	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
05/14/2009	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
05/12/2009	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
04/29/2009	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
04/28/2009	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
04/28/2009	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
04/20/2009	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
03/27/2009	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
03/24/2009	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
02/02/2009	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
12/22/2008	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
12/18/2008	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
12/18/2008	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
12/18/2008	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
12/03/2008	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
11/07/2008	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
11/04/2008	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
11/04/2008	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
11/04/2008	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)

Individual 2450344 - CRUZ, DARREL MICHAEL

Administrative Information**Filing History**

Date	Type	Submitted by
11/04/2008	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
11/04/2008	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
11/04/2008	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
11/04/2008	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
11/04/2008	BR Filing	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
05/20/2008	U4 Relicense All	SCOTTSDALE CAPITAL ADVISORS CORP (118786)
05/09/2008	U5 Full	COUNTRYWIDE INVESTMENT SERVICES, INC. (103919)
07/06/2007	U4 Amendment	COUNTRYWIDE INVESTMENT SERVICES, INC. (103919)
06/11/2007	U4 Amendment	COUNTRYWIDE INVESTMENT SERVICES, INC. (103919)
01/09/2007	U4 Initial	COUNTRYWIDE INVESTMENT SERVICES, INC. (103919)
03/08/2006	U5 Full	WELLS FARGO INVESTMENTS, LLC (10582)
01/24/2006	U4 Initial	WELLS FARGO INVESTMENTS, LLC (10582)
07/07/2005	U5 Full	CITIGROUP GLOBAL MARKETS INC. (7059)
06/07/2005	U4 Amendment	CITIGROUP GLOBAL MARKETS INC. (7059)
06/02/2005	U5 Partial	CITIGROUP GLOBAL MARKETS INC. (7059)
05/18/2005	U4 Amendment	CITIGROUP GLOBAL MARKETS INC. (7059)
05/17/2005	U4 Amendment	CITIGROUP GLOBAL MARKETS INC. (7059)
05/16/2005	U4 Amendment	CITIGROUP GLOBAL MARKETS INC. (7059)
04/21/2005	U4 Amendment	CITIGROUP GLOBAL MARKETS INC. (7059)
04/20/2005	U4 Amendment	CITIGROUP GLOBAL MARKETS INC. (7059)
04/20/2005	U4 Initial	CITIGROUP GLOBAL MARKETS INC. (7059)
01/03/2005	NRF Initial	CITIGROUP GLOBAL MARKETS INC. (7059)
05/15/2000	U5 Full	COAST PARTNERS FINANCIAL CORPORATION (30687)
07/05/1999	U4 Conversion	COAST PARTNERS FINANCIAL CORPORATION (30687)

Individual 2450344 - CRUZ, DARREL MICHAEL

Reportable Events

Number of Reportable Events

Bankruptcy	0
Bond	0
Civil Judicial	0
Criminal	0
Customer Complaint	0
Internal Review	0
Investigation	0
Judgment/Lien	0
Regulatory Action	1
Termination	0

Occurrence#	1773556	Disclosure Type	Regulatory Action
FINRA Public Disclosable	Yes	Reportable	Yes
Material Difference in Disclosure	No		

Filing ID	46324059	Form (Form Version)	U5 (05/2009)
Filing Date	05/01/2017		
Source	118786 - SCOTTSDALE CAPITAL ADVISORS CORP		
Disclosure Questions Answered	7A		

Regulatory Action **DRP** DRP Version 05/2009

1. Regulatory Action initiated by:
 - A. Initiated by: Self Regulatory Organization
 - B. Full name of regulator: FINRA
2. Sanction(s) sought: Other: WITHOUT SPECIFICITY, THE COMPLAINT SEEKS THE IMPOSITION OF ONE OR MORE OF THE SANCTIONS PROVIDED UNDER FINRA RULE 8310(A).
3. Date initiated/Explanation: 05/15/2015
4. Docket/Case#: 2014041724601
5. Employing firm: SCOTTSDALE CAPITAL ADVISORS
6. Product type(s): Equity-OTC
Penny Stock
7. Allegation(s): THE COMPLAINT ALLEGES THAT SCOTTSDALE SOLD UNREGISTERED SHARES IN THREE LOW-PRICED STOCKS FOR A CUSTOMER THAT WERE NOT EXEMPT FROM REGISTRATION WITH THE SEC IN CONTRAVENTION OF SECTION 5 OF THE SECURITIES ACT OF 1933. THE COMPLAINT FURTHER ALLEGES THAT THE SCOTTSDALE AND MR. CRUZ VIOLATED NASD RULE 3010(B) AND FINRA RULE 2010 BY NOT PERFORMING ADEQUATE INQUIRIES ON WHETHER THE CLAIMED REGISTRATION EXEMPTIONS APPLIED TO THE SALES OF THE THREE STOCKS.

Individual 2450344 - CRUZ, DARREL MICHAEL

Reportable Events

Regulatory Action **DRP** DRP Version 05/2009

8. Current status: On Appeal

9. Limitations or restrictions while pending: No

10. If on appeal:

A. Appealed to: SRO

B. Date appealed/Explanation: 04/24/2017

C. Limitations or restrictions while on appeal: No

11. Resolution details:

A. Resolution detail: Other: Pending NAC Review

B. Resolution date/Explanation: 04/24/2017
Pending NAC Review

12. Sanction detail:

A. Sanctions ordered:

B. Other sanctions:

C. Willful violation or failure to supervise: Yes

i. Willfully violated: No

ii. Willfully aided, abetted, counseled, commanded, induced, or procured: No

iii. Failed reasonably to supervise another person: No

D. Sanction type details:

E. Requalification type details:

F. Monetary related sanction type details:

13. Comment: On March 31, 2017, a FINRA hearing panel issued a decision finding that Mr. Cruz, as President of Scottsdale Capital Advisors Corp., violated FINRA Rule 2010 and NASD Rule 3010 by failing to supervise the sale of stock in three issuers that the panel concluded had violated Section 5 of the Securities Act of 1933. The panel suspended Mr. Cruz for two years and assessed a fine of \$50,000. Mr. Cruz is appealing the panel's decision to FINRA's National Adjudicatory Council, and all sanctions will be stayed pending a final decision by

Individual 2450344 - CRUZ, DARREL MICHAEL

Reportable Events**Regulatory Action DRP****DRP Version 05/2009**

- C. Limitations or restrictions while on appeal: No
11. Resolution details:
- A. Resolution detail: Other: awaiting the SEC review
- B. Resolution date/Explanation: 07/23/2018 appealed date
12. Final order: No
13. Sanction detail:
- A. Sanctions ordered:
- B. Other sanctions:
- C. Willful violation or failure to supervise: Yes
- i. Willfully violated: No
- ii. Willfully aided, abetted, counseled, commanded, induced, or procured: No
- iii. Failed reasonably to supervise another person: No
- D. Sanction type details:
- E. Requalification type details:
- F. Monetary related sanction type details:
14. Comment: Extended Hearing Panel decision rendered March 31, 2017 wherein Cruz was fined \$50,000, suspended from association with any FINRA member in any capacity for two years, and ordered to pay costs, jointly and severally, in the amount of \$22,124.29. The sanctions were based on findings that Cruz failed to supervise and failed to respond appropriately to numerous red flags indicative of unlawful unregistered distributions when his firm engaged and participated in sales of securities that were not registered with the SEC, in transactions that were not exempt from registration. The findings also included that the firm, through Cruz, its president/approving principal, failed to conduct reasonable inquiries into the circumstances surrounding the illegal sales of stock by the firm for another broker-dealer. Cruz performed inadequate inquiries on the claimed registration exemptions for sales of the microcap stocks, despite the presence of numerous red flags suggesting that the sales were, or could be, illegal distributions of unregistered stocks. Although Cruz collected some documents and information on the deposits and sales, he failed to adequately and meaningfully analyze the collected documents and information, some of which were inconsistent and incomplete, and also failed to independently verify the

Individual 2450344 - CRUZ, DARREL MICHAEL

Reportable Events

Regulatory Action DRP

DRP Version 05/2009

provided information. On April 26, 2017, this matter was appealed to the National Adjudicatory Council (NAC) and the sanctions are not in effect pending review. On June 20, 2017, an Amended Extended Hearing Panel Decision was issued to correct a factual error. The amendment does not change the substance of the decision and remains on appeal with the NAC.

NAC Decision rendered July 20, 2018, wherein Cruz was fined \$50,000 and suspended from association with any FINRA member in all capacities for two years. Respondent was ordered to pay \$22,124.29, jointly and severally, in costs and to pay, separately, \$1,394.20 in costs. The NAC affirmed the findings and the sanctions imposed by the Office of Hearing Officers (OHO). The sanctions were based on findings that Cruz's member firm acted in contravention of Section 5 of the Securities Act of 1933 and sold millions of shares of unregistered microcap securities without the benefit of a registration exemption. FINRA established a prima facie violation of Section 5 of the Securities Act, and that the firm's claimed exemptions from securities registration did not apply. The findings stated that Cruz was aware of the numerous red flags that surrounded the specific deposits that are the subject of this case, and failed to supervise the firm's microcap liquidation business when he did not address those red flags. Moreover, as president of the firm, Cruz took his actions on behalf of the firm, and, as a consequence, the firm failed to supervise its microcap liquidation business.

On July 23, 2018, respondent filed with the SEC an application for review of the FINRA NAC decision dated July 20, 2018. The sanctions are not in effect pending the review.

Regulator Archive and Z Records

Occurrence#	1613395	Disclosure Type	Investigation
FINRA Public Disclosable	No	Reportable	No
Material Difference in Disclosure	No		
Filing ID	33271644	Form (Form Version)	U4 (05/2009)
Filing Date	10/01/2012		
Source	118786 - SCOTTSDALE CAPITAL ADVISORS CORP		
Disclosure Questions Answered	14G(2)		

Investigation DRP

DRP Version 05/2009

1. Investigation initiated by:
 - A. Notice received from: SRO
 - B. Full name of regulator: FINANCIAL INDUSTRY REGULATORY AUTHORITY
2. Notice date/Explanation: 05/01/2012
3. Nature of investigation: FINRA PROVIDED NOTICE OF POTENTIAL VIOLATIONS OF NASD CONDUCT RULE 3010 AND 2010. THE VIOLATIONS RESULTED FROM THE FIRM'S AND MR. CRUZ' ALLEGED FAILURE TO SUPERVISE JOSEPH PADILLA REGARDING THE USE OF HIS NAME OR CRD NUMBER IN

Individual 2450344 - CRUZ, DARREL MICHAEL

Regulator Archive and Z Records

Investigation DRP

DRP Version 05/2009

PRESS RELEASES AND RESEARCH REPORTS ISSUED BY UNASSOCIATED, THIRD PARTY ENTITIES.

- 4. Pending investigation: No
- 5. Resolution details:
 - A. Date resolved/Explanation: 09/24/2012
 - B. Investigation resolution: Other: FIRM SETTLED VIA AWC
- 6. Comment: FIRM AND FINRA SETTLED THE MATTER PURSUANT TO ACCEPTANCE, WAIVER AND CONSENT (AWC) DATED 9/24/12. FIRM ACCEPTED CENSURE AND FINE OF \$7,500. AWC MAKES NO FINDINGS AGAINST MR. CRUZ WHO DENIED ANY WRONGDOING AT ALL TIMES.

Occurrence#	1743130	Disclosure Type	Investigation
FINRA Public Disclosable	No	Reportable	No
Material Difference in Disclosure	No		

Filing ID	39206283	Form (Form Version)	U5 (05/2009)
Filing Date	06/15/2015		
Source	118786 - SCOTTSDALE CAPITAL ADVISORS CORP		
Disclosure Questions Answered	7A		

Investigation DRP

DRP Version 05/2009

- 1. Investigation initiated by:
 - A. Notice received from: SRO
 - B. Full name of regulator: FINRA
- 2. Notice date/Explanation: 01/29/2015
- 3. Nature of investigation: ON JANUARY 29, 2015, THE FINRA DEPARTMENT OF ENFORCEMENT INFORMED MR. CRUZ THAT THEY HAD MADE A PRELIMINARY DETERMINATION TO RECOMMEND THAT DISCIPLINARY ACTION BE BROUGHT FOR VIOLATIONS OF NASD RULE 2010 AND FINRA RULE 3010.
- 4. Pending investigation: No
- 5. Resolution details:
 - A. Date resolved/Explanation: 05/15/2015
 - B. Investigation resolution: Closed - Regulatory Action Initiated
- 6. Comment: MR. CRUZ BELIEVES THE RECOMMENDATION HAS NO LEGAL OR FACTUAL BASIS. THE PROPOSED RECOMMENDATION FAILS TO RECOGNIZE THE COMPREHENSIVE SUPERVISORY AND AML SYSTEMS IN PLACE AT THE FIRM. MR. CRUZ ACTED APPROPRIATELY AT ALL TIMES.

Filing ID	39122391	Form (Form Version)	U6 (05/2009)
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Individual 2450344 - CRUZ, DARREL MICHAEL

Regulator Archive and Z Records

Filing Date 06/01/2015
Source FINRA
Disclosure Questions Answered

Investigation DRP

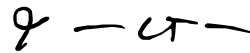
DRP Version 05/2009

1. Investigation initiated by:
 - A. Notice received from: SRO
 - B. Full name of regulator: FINRA
 2. Notice date/Explanation: 01/29/2015
 3. Nature of investigation: WELLS NOTICE EXAMINATION #20140417246: FINRA MADE A PRELIMINARY DETERMINATION TO RECOMMEND THAT DISCIPLINARY ACTION BE BROUGHT AGAINST D. MICHAEL CRUZ ALLEGING POTENTIAL VIOLATIONS OF: NASD RULE 3010 AND FINRA RULE 2010.
 4. Pending investigation: No
 5. Resolution details:
 - A. Date resolved/Explanation: 05/15/2015
 - B. Investigation resolution: Closed - Regulatory Action Initiated
 6. Comment:
-

CERTIFICATE OF COMPLIANCE

I, Jante Turner, certify that this brief complies with the length limitation set forth in the Commission's Order Granting Request to Exceed Word Limit, which is dated October 19, 2018. I have relied on the word count feature of Microsoft Word in verifying that this brief contains 27,270 words, exclusive of the pages containing the table of contents, table of authorities, and any addendum that consists solely of copies of applicable cases, pertinent legislative provisions, or rules and exhibits.

Respectfully Submitted,



Jante Turner
Associate General Counsel
FINRA – Office of General Counsel
1735 K Street, NW
Washington, DC 20006
202-728-8317 – Telephone
202-728-8264 – Facsimile
jante.turner@finra.org – Electronic Mail

CERTIFICATE OF SERVICE

I, Jante Turner, certify that on November 13, 2018, I caused a copy FINRA's Brief in Opposition to the Application for Review, Administrative Proceeding File No. 3-18612, to be served via messenger on:

Brent Fields, Secretary
Securities and Exchange Commission
100 F Street, NE, Room 10915
Washington, DC 20549-1090

and via Federal Express Overnight Delivery and Electronic Mail on:

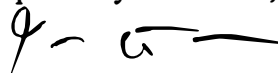
Kevin Harnisch, Esq.
Michael Edney, Esq.
Vijay Rao, Esq.
Norton Rose Fulbright US LLP
799 9th Street NW, Suite 1000
Washington, DC 20001-4501
kevin.harnisch@nortonrosefulbright.com
michael.edney@nortonrosefulbright.com
vijay.rao@nortonrosefulbright.com

and

Ryan Meltzer, Esq.
Norton Rose Fulbright US LLP
98 San Jacinto Boulevard, Suite 1100
Austin, TX 78701-4255
ryan.meltzer@nortonrosefulbright.com

Different methods of service were used because courier service could not be provided to the applicant's counsel.

Respectfully Submitted,



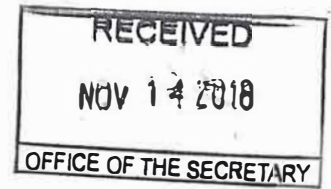
Jante Turner
Associate General Counsel
FINRA – Office of General Counsel
1735 K Street, NW
Washington, DC 20006
202-728-8317 – Telephone
202-728-8264 – Facsimile
jante.turner@finra.org – Electronic Mail



Financial Industry Regulatory Authority

Jante Turner
Associate General Counsel

Telephone: 202-728-8317
Facsimile: 202-728-8264



November 13, 2018

VIA MESSENGER

Brent Fields, Secretary
Securities and Exchange Commission
100 F Street, NE, Room 10915
Washington, DC 20549-1090

**RE: SCOTTSDALE CAPITAL ADVISORS CORPORATION, JOHN J. HURRY, TIMOTHY B. DIBLASI, AND D. MICHAEL CRUZ
ADMINISTRATIVE PROCEEDING FILE NO. 3-18612**

Mr. Fields:

Enclosed are the original and three copies of FINRA's Brief in Opposition to the Application for Review for the above-referenced matter. Please contact me at 202-728-8317 if you have any questions.

Very truly yours,

Jante Turner

cc: Kevin Harnisch, Esq.
Michael Edney, Esq.
Vijay Rao, Esq.
Norton Rose Fulbright US LLP
799 9th Street NW, Suite 1000
Washington, DC 20001-4501
kevin.harnisch@nortonrosefulbright.com
michael.edney@nortonrosefulbright.com
vijay.rao@nortonrosefulbright.com

Ryan Meltzer, Esq.
Norton Rose Fulbright US LLP
98 San Jacinto Boulevard, Suite 1100
Austin, TX 78701-4255
ryan.meltzer@nortonrosefulbright.com

Enclosures