

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 90801 / December 23, 2020

Admin. Proc. File No. 3-20136

In the Matter of
NORMAN T. REYNOLDS, ESQ.

ORDER DENYING MOTION
TO LIFT TEMPORARY SUSPENSION
AND DIRECTING HEARING

On October 22, 2020, we issued an order instituting proceedings (“OIP”) against Norman T. Reynolds, Esq. (“Reynolds”), pursuant to Commission Rule of Practice 102(e)(3)(i)(A) and (B).¹ The OIP temporarily suspended Reynolds, an attorney admitted to practice in Texas, from appearing or practicing before the Commission as an attorney.² Reynolds has now filed a petition requesting that his temporary suspension be lifted.³ For the reasons set forth below, we have determined to deny Reynolds’ petition and set the matter down for hearing.

On April 12, 2017, the Commission filed an injunctive action against Reynolds and other defendants in the United States District Court for the Southern District of New York (the “Court”).⁴ The complaint alleged that Reynolds and the other defendants engaged in a fraudulent scheme to effect illegal, unregistered sales of Nouveau Holdings., Ltd. (“Nouveau”) shares in violation of Sections 5 and 17(a) of the Securities Act of 1933 (“Securities Act”) and

¹ Rule 102(e)(3)(i), 17 CFR § 201.102(e)(3)(i), provides, in relevant part, that:

The Commission, with due regard to the public interest and without preliminary hearing, may, by order, temporarily suspend from appearing or practicing before it any attorney ... who has been by name:

- (A) Permanently enjoined by any court of competent jurisdiction, by reason of his or her misconduct in an action brought by the Commission, from violating or aiding and abetting the violation of any provision of the Federal securities laws or of the rules and regulations thereunder; or
- (B) Found by any court of competent jurisdiction in an action brought by the Commission to which he or she is a party ... to have violated (unless the violation was found not to have been willful) or aided and abetted the violation of any provision of the Federal securities laws or of the rules and regulations thereunder.

² *Norman T. Reynolds, Esq.*, Securities Exchange Act of 1934 Release No. 90259, 2020 SEC LEXIS 4665 (Oct. 22, 2020).

³ See Commission Rule of Practice 102(e)(3)(ii), 17 CFR § 201.102(e)(3)(ii).

⁴ *Securities and Exchange Commission v. Mustafa David Sayid, Kevin Jasper, and Norman T. Reynolds*, Civil Action No. 1:17-cv-2630 (JFK).

Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 thereunder.

On November 25, 2019, the Court granted the Commission’s motion for summary judgment against Reynolds, finding he had violated Section 10(b) of the Exchange Act and Sections 5 and 17(a) of the Securities Act. The Court did not make a finding that Reynolds’ violations were not willful. On July 22, 2020, the Court entered final judgment against Reynolds, permanently enjoining him from violating Sections 5 and 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. In addition, the Court issued permanent penny stock bar against Reynolds and permanently enjoined him from participating in the preparation or issuance of any opinion letter in connection with the offer or sale of securities pursuant to, or claiming an exemption under, Section 4(1) of the Securities Act and Rule 144 thereunder. The Court also ordered Reynolds to pay \$700 in disgorgement, \$193 in interest, and a civil penalty of \$75,000.⁵

In issuing the OIP, we deemed it “appropriate and in the public interest” that Reynolds be temporarily suspended from appearing or practicing before the Commission as an attorney in view of our findings that a court of competent jurisdiction, in an action brought by the Commission, has: (1) permanently enjoined Reynolds from violating the Federal securities laws within the meaning of Commission Rule of Practice 102(e)(3)(i)(A); and (2) found Reynolds to have violated the Federal securities laws within the meaning of Rule of Practice 102(e)(3)(i)(B). We stated that the temporary suspension would become permanent unless Reynolds filed a petition with us to lift the temporary suspension within 30 days after service of the OIP, pursuant to Rule of Practice 102(e)(3)(ii). We further advised that upon receipt of such a petition, we either would lift the temporary suspension or set the matter down for hearing, or both, pursuant to Rule of Practice 102(e)(3)(iii).

Reynolds argues in his petition that the relevant facts do not warrant permanent injunctive relief. Reynolds argues that his law practice no longer focuses on advising companies in the securities law field and that the risk of related future violations is “non-existent.” Reynolds also argues that he has no other history of misconduct as an attorney and that the violation identified by the District Court action was isolated in nature. Reynolds further argues that the Commission has not shown that he was connected to the larger scheme described in the complaint filed in the District Court action.

In opposition to Reynolds’ petition, the Office of General Counsel (“OGC”) argues that Reynolds has not advanced any meritorious arguments in support of lifting the temporary suspension and that it will serve the public interest to continue the suspension pending the completion of this proceeding. OGC argues that absent a temporary suspension, Reynolds would remain in a position to threaten the integrity of the Commission’s processes and potentially harm investors during the time necessary for this proceeding to be resolved. OGC also argues that

⁵ On September 9, 2020, the Court issued an amended final judgment against Reynolds that amended the manner of disposition of disgorgement, but did not affect the judgment as to liability.

Reynolds is “far from an appropriate candidate” for the “unprecedented relief” of lifting the temporary suspension.⁶

Commission Rule of Practice 102(e)(3)(iii) provides that within 30 days after the filing of a petition to lift a temporary suspension in accordance with Rule 102(e)(3)(ii), the Commission shall either lift the temporary suspension, or set the matter down for hearing at a time and place designated by the Commission, or both.⁷ Reynolds has not provided, nor do we find, any persuasive basis to lift the temporary suspension. As discussed, a court of competent jurisdiction has permanently enjoined Reynolds from violating the Federal securities laws. The findings made in the injunctive proceeding, which Reynolds is precluded from contesting in this Rule 102(e) proceeding,⁸ and the permanent injunction issued against him justify the continuation of the temporary suspension. Further, it appears that Reynolds remains admitted to practice as an attorney and, therefore, in a position to harm the Commission’s processes if the temporary suspension is lifted and he is permitted to practice before the Commission pending the outcome of a hearing.

Under the circumstances, we find it appropriate to continue Reynolds’ suspension and have determined to set the matter down for hearing before an administrative law judge, as provided in Rule of Practice 102(e)(3)(iii).⁹ We note that Reynolds’ claims concerning this proceeding are more appropriately addressed, in the first instance, by the administrative law judge in the context of administering the hearing. We express no opinion as to the merits of Reynolds’ claims.

Accordingly, IT IS ORDERED that this proceeding be set down for a public hearing before an administrative law judge in accordance with Commission Rule of Practice 110, 17 CFR § 201.110. As specified in Rule 102(e)(3)(iii), the hearing in this matter shall be expedited in accordance with Rule 500.

IT IS FURTHER ORDERED that the administrative law judge shall issue an initial decision no later than 75 days from the occurrence of one of the following events: (A) The completion of post-hearing briefing in a proceeding where the hearing has been completed; (B) Where the hearing officer has determined that no hearing is necessary, upon completion of briefing on a motion pursuant to Commission Rule of Practice 250, 17 CFR § 201.250; or (C)

⁶ OGC states that it is unaware of any instance in which the Commission has lifted a temporary suspension imposed under Commission Rule 102(e)(3) pending the outcome of an administrative proceeding to determine the appropriate sanction to be imposed.

⁷ 17 CFR § 201.102(e)(3)(iii).

⁸ See 17 CFR § 201.102(e)(3)(iv) (stating that, in any hearing held on a petition filed in accordance with Rule 102(e)(3)(ii), the petitioner may not contest any findings made against him in the underlying proceeding).

⁹ The Commission has denied other Rule 102(e)(3)(iii) petitions in order to serve the public interest and protect the integrity of its processes. See, e.g., Joseph L. Pittera, Esq., Exchange Act Release No. 79168, 2016 SEC LEXIS 4012 (Oct. 26, 2016); Diane D. Dalmy, Esq., Exchange Act Release No. 76980, 2016 SEC LEXIS 354 (Jan. 27, 2016); R. Scott Peden, Esq., Exchange Act Release No. 75135, 2015 SEC LEXIS 2302 (June 9, 2015); Robert C. Weaver, Jr., Esq., Exchange Act Release No. 73949, 2014 SEC LEXIS 5071 (Dec. 29, 2014); Brian Williamson, Esq., Exchange Act Release No. 72435, 2014 SEC LEXIS 5096 (June 19, 2014); Virginia K. Sourlis, Esq., Exchange Act Release No. 69358, 2013 SEC LEXIS 1104 (Apr. 10, 2013).

The determination by the hearing officer that a party is deemed to be in default under Rule 155, and no hearing is necessary.

IT IS FURTHER ORDERED that the temporary suspension of Norman T. Reynolds, Esq., entered on October 22, 2020, remain in effect pending a hearing and decision in this matter.

By the Commission.

Vanessa A. Countryman
Secretary