

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 61564 / February 22, 2010

INVESTMENT ADVISERS ACT OF 1940
Release No. 2985 / February 22, 2010

ADMINISTRATIVE PROCEEDING
File No. 3-13787

In the Matter of

DAVID V. SIEGEL,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF
THE SECURITIES EXCHANGE
ACT OF 1934 AND SECTION 203(f) OF
THE INVESTMENT ADVISERS ACT OF
1940**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against David V. Siegel (“Respondent” or “Siegel”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

1. **Siegel**, 52, is a resident of Parkland, Florida who was associated with Axiom Capital Management, Inc. (“Axiom”), a broker-dealer registered with the Commission, from May 2003 through January 2007 (“the relevant period”). During the relevant period, Siegel was Axiom registered representative Gary J. Gross’ (“Gross”) immediate supervisor. Siegel has Series 3, 4, 7, 15, 24, and 30 licenses.

B. OTHER RELEVANT ENTITY AND INDIVIDUAL

1. **Axiom**, a Delaware corporation with its principal place of business in New York, New York, has been registered with the Commission since June 1990 as a broker-dealer and as an investment adviser from June 2004 through October 2006.

2. **Gross**, 57, is a resident of Boca Raton, Florida. Gross lived in Boca Raton while associated with Axiom from December 2002 until his termination in January 2007 as a result of the misconduct discussed below. During the relevant period, Gross held Series 7, 63 and 65 licenses.¹

C. GROSS AND SIEGEL'S EMPLOYMENT WITH AXIOM AND GROSS' MISCONDUCT

1. Axiom hired Gross in December 2002 and established its first branch office in Boca Raton, Florida, mainly for Gross' use as an Axiom registered representative. Gross, Siegel, and a sales assistant ultimately comprised the office staff.

2. In May 2003, Axiom hired Siegel to manage its Boca Raton branch office and supervise Gross. During the relevant period, Siegel's compensation came from commissions he generated from his own customers and a two percent override he received of the branch office's net commissions.

3. Due to customer complaints about Gross from his work at previous firms, the State of Florida required, among other things, that Axiom place Gross on strict supervision. During the relevant period, Gross remained subject to strict supervision until Axiom terminated him in January 2007.

4. While under Siegel's supervision, from early 2004 through at least September 2006, Gross implemented several abusive sales practices, including, among others, unauthorized trading for customers, churning customer investments, and making unsuitable investment recommendations to customers.

5. Beginning in early 2005 through at least April 2006, Gross sold millions of dollars worth of private placements and private issuances of public entities, commonly known as "PIPE" transactions (collectively "private placements") to his customers. The private placements were unsuitable recommendations for a portion of Gross' customers, who were elderly, retired with limited annual income, and risk-averse. Gross touted the purported profitability of private placements to some of his customers, but never disclosed the substantial risks, namely that these were illiquid investments in start-up ventures that greatly needed funding. Instead, Gross fraudulently described the private placements as riskless investments offered by high-quality companies. Given the customers' ages, financial circumstances, investment objectives and lack of

¹ In September 2008, the Commission filed an action against Gross. SEC v. Gary J. Gross, Case No. 08-81039-CIV-Marra/Johnson (S.D. Fla. September 22, 2008), Litigation Release No. 20732 (September 22, 2008).

prior experience in private placements, these investment recommendations and other subsequent investment recommendations Gross made between approximately January 2005 and September 2006 were unsuitable.

D. SIEGEL'S FAILURE TO SUPERVISE GROSS

1. During the relevant period, Siegel was Gross' direct supervisor, but failed reasonably to supervise Gross with a view to preventing and detecting his violations of the federal securities laws.

2. Siegel knew his main responsibility was to supervise Gross, yet Siegel failed to follow both Axiom's written supervisory procedures manual and an internal Axiom memorandum entitled "Heightened Supervision of Gary Gross" in relation to his supervision of Gross.

3. Siegel did not reasonably monitor Gross' orders for unauthorized transactions, failed to ensure that Gross' customers' margin use was suitable, and failed to review Gross' customers' private placement transactions and subsequent investments for suitability. Because he failed to follow firm procedures, Siegel failed to notice on numerous occasions when several of Gross' customers entered unsolicited orders to purchase or sell the same obscure securities, often on the same day. Siegel also failed to regularly use the firm's monthly Active Account Report, review monthly customer account statements, or take other reasonable action to monitor for churning by Gross.

4. Siegel profited from Gross' violations of the federal securities laws in the form of commissions he received based on Gross' commissions.

E. VIOLATIONS

1. As a result of the conduct described above, Gross violated Section 17(a) of the Securities Act of 1933 ("Securities Act") and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

2. As a result of the conduct described above, Siegel failed reasonably to supervise Gross within the meaning of Section 15(b)(4)(E), as incorporated by reference in Section 15(b)(6) of the Exchange Act, and Section 203(e)(6) of the Advisers Act with a view to preventing and detecting Gross' violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceeding be instituted to determine:

A. Whether the allegations set forth in Section II are true and, in connection therewith, to afford Siegel an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Siegel pursuant to Section 15(b) of the Exchange Act including, but not limited to, disgorgement and civil penalties pursuant to Section 21B of the Exchange Act;

C. What, if any, remedial action is appropriate in the public interest against Siegel pursuant to Section 203(f) of the Advisers Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related

proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not “rule making” within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Elizabeth M. Murphy
Secretary