

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 62803 / August 31, 2010**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 3077 / August 31, 2010**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-13787**

**In the Matter of**

**DAVID V. SIEGEL,**

**Respondent.**

**ORDER MAKING FINDINGS AND  
IMPOSING REMEDIAL SANCTIONS  
PURSUANT TO SECTION 15(b) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
AND SECTION 203(f) OF THE  
INVESTMENT ADVISERS ACT OF 1940**

**I.**

On February 22, 2010, the Securities and Exchange Commission (“Commission”) instituted public administrative proceedings 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”).

**II.**

In connection with these proceedings, Respondent Siegel has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except for the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Making Findings and Imposing Remedial Sanctions Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940 (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds<sup>1</sup> that:

#### Summary

Respondent failed reasonably to supervise Gary J. Gross with a view to preventing and detecting Gross's violations of the federal securities laws from approximately January 2004 through at least September 2006 while Respondent and Gross were associated with broker-dealer Axiom Capital Management, Inc. ("Axiom"). During this time period, 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 by, among other things, making unsuitable investment recommendations, engaging in unauthorized transactions and churning customer accounts.

#### 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.

#### Other Relevant Entity and Individual

2. **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.

3. **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.<sup>2</sup>

#### Background

4. 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.

5. 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

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

<sup>2</sup> In September 2008, the Commission filed an action against Gross. *SEC v. Gary J. Gross*, Case No. 0881039-CIV-Marra/Johnson (S.D. Fla. September 22, 2008), Litigation Release No. 20732 (September 22, 2008).

generated from his own customers and a two percent override he received of the branch office's net commissions.

6. 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.

7. 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.

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

9. 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.

10. 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.

11. 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.

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

## Violations

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

14. 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.

## IV.

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

Accordingly, pursuant to Section 15(b) of the Exchange Act and Section 203(f) of the Advisers Act, it is hereby ORDERED that:

A. Respondent Siegel be, and hereby is, barred from association in a supervisory capacity with any broker, dealer, or investment adviser.

B. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

C. Respondent shall, within thirty (30) days of the entry of this Order, pay disgorgement of \$10,600 and prejudgment interest of \$35.33 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. Payment shall be: (A) made by wire transfer, United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies David V. Siegel as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Glenn S. Gordon, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, 801 Brickell Avenue, Suite 1800, Miami, Florida 33131.

D. Respondent shall, within thirty (30) days of the entry of this Order, pay a civil money penalty in the amount of \$15,000 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. 3717. Such payment shall be: (A) made by wire transfer, United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies David V. Siegel as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Glenn S. Gordon, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, 801 Brickell Avenue, Suite 1800, Miami, Florida 33131.

By the Commission.

Elizabeth M. Murphy  
Secretary

Service List

Rule 141 of the Commission's Rules of Practice provides that the Secretary, or another duly authorized officer of the Commission, shall serve a copy of the Order Making Findings and Imposing Remedial Sanctions Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940 ("Order"), on the Respondent.

The attached Order has been sent to the following parties and other persons entitled to notice:

The Honorable James T. Kelly  
Administrative Law Judge  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-2557

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Securities and Exchange Commission  
801 Brickell Avenue, 18<sup>th</sup> Floor  
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Mr. David V. Siegel  
10860 N.W. 80<sup>th</sup> Circle  
Parkland, FL 33076