

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 82443 / January 5, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18330

In the Matter of

Anthony A. Stovall

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS, PURSUANT TO SECTIONS
15(b) AND 15B OF THE SECURITIES
EXCHANGE ACT OF 1934, MAKING
FINDINGS AND IMPOSING REMEDIAL
SANCTIONS**

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 Sections 15(b) and 15B of the Securities Exchange Act of 1934 (“Exchange Act”) against Anthony A. Stovall (“Stovall” or “Respondent”).

II.

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

III.

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

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

Summary

1. These proceedings arise out of certain improper gifts provided by Stovall to the president and owner of a registered municipal advisor in May 2015. Shortly after Stovall provided the improper gifts, the municipal advisor recommended that its municipal issuer client (the “City”) hire a municipal securities dealer employing Stovall (“Underwriter”) to underwrite the City’s anticipated bond offering. Underwriter was hired by the City and underwrote the bonds, but Stovall did not disclose to the City that he had provided the improper gifts to the owner of the municipal advisor. The improper gifts, and Stovall’s failure to disclose the gifts to the City, violated Municipal Securities Rulemaking Board Rules G-20 (which limits gifts made by regulated persons in relation to municipal securities activities) and G-17 (which requires fair dealing by regulated entities in the conduct of municipal securities activities, including disclosure of actual or potential conflicts of interest).

Respondent

2. Anthony A. Stovall, age 51, is a resident of West Orange, New Jersey. During the relevant period, Stovall was a registered representative, Executive Managing Director, and Co-Head of the Municipal Finance Group at the now-defunct Underwriter. Underwriter was registered with the Commission as a broker-dealer and acted as a municipal securities dealer from 2011 until February 2017, when its Form BDW withdrawing its registration became effective.

Other Relevant Entity and Individual

3. Malachi Financial Products, Inc., (“Malachi”) a Georgia corporation located in Roswell, Georgia, is registered with the Commission and the Municipal Securities Rulemaking Board (“MSRB”) as a municipal advisor.

4. Porter Bernard Bingham (“Bingham”), age 56, is a resident of Roswell, Georgia. Bingham is the owner and president of Malachi.

Facts

5. Stovall first met Bingham in 2004. Between 2005 and 2013, Stovall and Bingham worked together as underwriter and municipal advisor, respectively, on approximately 15 municipal bond offerings.

6. On January 16, 2015, the City hired Malachi to serve as municipal advisor for an anticipated bond offering.

7. On May 22, 2015, Stovall directed a personal check for \$2,000 to be provided to Bingham. On May 28, 2015, Stovall directed \$500 to be provided via a wire transfer to a Malachi bank account controlled by Bingham.

8. As the City's municipal advisor and in preparation for the bond offering, Bingham had discussions with the City's representatives in which he recommended that the City consider hiring Underwriter to underwrite the anticipated bond offering.

9. On June 16, 2015, at a meeting of the City's Board of Aldermen, the City's Mayor and Board of Aldermen formally considered hiring Underwriter to underwrite the anticipated bond offering. At the meeting, a representative of Malachi introduced Stovall to the Board of Alderman. Stovall then solicited the City's underwriting business by making a presentation in which he described Underwriter's capabilities and past performance. At that meeting, the Malachi representative did not recommend or introduce any other underwriting firms for the City to consider to underwrite the anticipated bond offering.

10. At the meeting, the Board of Aldermen voted to approve a resolution hiring Underwriter to underwrite the anticipated bond offering. The resolution stated that the City hired Underwriter based on the recommendation of Malachi.

11. At no time did Stovall, or anyone else, disclose to the City that he had provided the above described improper gifts to Bingham.

12. In October 2015, the City issued its bonds and Underwriter and Stovall provided the underwriting services.

Violations

13. MSRB Rule G-17 provides that in the conduct of its municipal securities activities, a municipal securities dealer shall deal fairly with all persons and shall not engage in any deceptive, dishonest, or unfair practice. Negligence is sufficient to establish a violation of MSRB Rule G-17. See In the Matter of Merrill Lynch, Pierce, Fenner & Smith, Inc., Exchange Act Release No. 40352, 1998 WL 518489, at *13 (Aug. 24, 1998).

14. The version of MSRB Rule G-20 that was in place at the time of the violation provided that no person associated with municipal securities dealer shall, directly or indirectly, give any thing of value in excess of \$100 per year to a person, if such payments are in relation to the municipal securities activities of the employer of the recipient of the payment.

15. As a result of the conduct described above, Stovall willfully² violated MSRB Rules G-17 and G-20.

² A willful violation of the securities laws means merely "that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

IV.

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

Accordingly, pursuant to Sections 15(b) and 15B of the Exchange Act it is hereby ORDERED that:

A. Respondent shall be, and hereby is, suspended for a period of 6 months, effective on the second Monday following the entry of this Order, from:

association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

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

B. Respondent shall pay a civil money penalty in the amount of \$20,000 to the Securities and Exchange Commission. Payment shall be made in the following installments: \$2,000 within thirty (30) days of the entry of this Order³; \$3,000 within sixty (60) days of the entry of this Order; \$3,000 within ninety (90) days of the entry of this Order; \$3,500 within one hundred twenty (120) days of the entry of this order; \$3,500 within one hundred fifty (150) days of the entry of this Order; and \$5,000 within one hundred eighty (180) days of the entry of this Order. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of civil penalties, plus any additional interest accrued pursuant to 31 U.S.C. 3717, shall be due and payable immediately, without further application. The Commission shall transfer \$10,000 of the civil money penalty to the Municipal Securities Rulemaking Board in accordance with Section 15B(c)(9)(A) of the Exchange Act. The Commission may distribute the remaining civil money penalties collected in this proceeding if, in its discretion, the Commission orders the establishment of a Fair Fund pursuant to 15 U.S.C. § 7246, Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended. The Commission will hold funds paid pursuant to this paragraph, excluding any amounts transferred or pending transfer to the Municipal Securities Rulemaking Board, in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, subject to Exchange Act Section 21F(g)(3), transfer them to the general fund of the United States Treasury.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

³ Respondent's initial \$2,000 payment shall be disbursed from the trust account of Respondent's counsel.

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

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

Payments by check or money order must be accompanied by a cover letter identifying Anthony A. Stovall as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to LeeAnn Ghazil Gaunt, Chief, Public Finance Abuse Unit, Securities and Exchange Commission, 33 Arch Street, 23rd Floor, Boston, MA 02110-1424.

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

V.

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

By the Commission.

Brent J. Fields
Secretary