

STATE OF ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT
DIVISION OF BANKING AND SECURITIES

IN THE MATTER OF:

GARLAND JAMES
CRD # 2308721

Respondent.

ORDER NO. 15-1520-2-S

**FINAL CEASE AND DESIST ORDER
ASSESSING A CIVIL PENALTY**

The Director of the Department of Commerce, Community, and Economic Development, Division of Banking and Securities (“Administrator”), has conducted an investigation into certain business activities of Garland James (“Respondent”) and has determined that Respondent violated certain provisions of the Alaska Securities Act, Alaska Statute (“AS”) 45.55.

I. BACKGROUND

On March 21, 2016, the Administrator sent a Temporary Cease and Desist Order Effectively Immediately Assessing a Civil Penalty with Notice of Hearing Rights and Notice of Final Cease and Desist Order (“Temporary Cease and Desist Order”) by first class and certified mail, return receipt requested, to Mr. James at 120-21 237 Street, Cambria Heights, New York, 11411.

On March 28, 2016, Mr. James received and signed for the Temporary Cease and Desist Order.

Mr. James did not request a hearing within 15 days of receiving the Temporary Cease and Desist Order.

II. FINDINGS OF FACT

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2 1. Respondent is a resident of Cambria Heights, New York.

3 2. Respondent was employed as a broker-dealer agent (CRD # 2308721) for broker-
4 dealer firm Garden State Securities, Inc. (“Garden State”) (CRD # 10083) from December 1,
5 2014 to November 2, 2015. During his employment with Garden State, Respondent was not
6 registered in Alaska to offer and sell securities to Alaska residents.

7 3. Garden State was first registered in the State of Alaska as a broker-dealer firm on
8 December 18, 2005, but withdrew its registration on January 28, 2016 pursuant to Alaska
9 Order no. 15-1520-S.

10 4. On July 20, 2015, eighty-year-old Alaska resident B.B., who was in very poor
11 health at the time and has since passed away, received an unsolicited phone call from
12 Respondent regarding a potential investment. B.B. had never heard of Garden State and did
13 not know how Respondent obtained his phone number.

14 5. During the conversation, Respondent attempted to get B.B. to invest with Garden
15 State by offering stock in Theravance, Inc. (“Theravance”) (symbol: THRX), a biotechnology
16 company that was trading at \$16.02 a share at that time.

17 6. At the end of the conversation, Respondent provided B.B. with his direct office
18 number and personal cell phone number. Respondent then generated a new client account
19 form for B.B that identified B.B.’s risk tolerance as high risk. During the conversation, B.B.
20 never stated to Respondent that he was interested in high risk investments.

21 7. On July 21, 2015, the new client account form was FedExed to B.B. along with a
22 letter requesting a personal check in the amount of \$82,000 to purchase the shares in
23 Theravance.

24 8. Included in the packet of materials FedExed to B.B. were informational brochures

1 from a broker-dealer firm called Global Arena Capital Corp. (“Global”) (CRD # 16871).
2 Prior to working for Garden State, Respondent was employed as a broker-dealer agent of
3 Global from February 14, 2014 to December 1, 2014. Global ceased operations and requested
4 termination of its registration with FINRA and all states in which it was registered on June 5,
5 2015. FINRA ultimately cancelled Global’s registration for failure to pay required fees on
6 July 20, 2015. On July 30, 2015, the Administrator issued a Final Cease and Desist Order
7 (Alaska Order no. 14-1442-S) against Global and several of its principals for directing junior
8 agents to cold call potential clients and make deceptive and misleading representations to
9 those potential clients that certain bonds were a safe investment when in fact they were rated
10 just above default. B.B. was one of the people cold called by Global, and B.B. invested
11 \$27,000 in the bonds through Global, much of which he lost. The Final Cease and Desist
12 Order included a civil penalty of \$150,000. As of the date of this Order, Global is no longer
13 registered as a broker-dealer firm in any jurisdiction.

14 9. It is unknown why Respondent sent promotional materials for Global to B.B.

15 10. A few days after speaking with Respondent, B.B. received the FedEx package.
16 B.B. did not sign the new account form or send a check to Respondent, and he did not have
17 any further contact with Respondent.

18 11. Respondent applied for registration as a broker-dealer agent in Alaska on August
19 5, 2015.

20 12. On October 7, 2015, the Administrator interviewed Respondent by telephone.
21 During the interview, Respondent acknowledged that biotechnology companies such as
22 Theravance are “risky” stocks. Moreover, when the Administrator asked Respondent,
23 “Would you say that you would normally recommend Theravance to an eighty-year-old man
24 in poor health?” Respondent answered, “Of course not.”

1 13. On November 2, 2015, Garden State terminated Respondent’s employment.

2 14. On January 11, 2016, Theravance changed its name to Innoviva, Inc. (symbol:
3 INVA). As of the date of the Temporary Cease and Desist Order, Innoviva was trading at
4 \$11.22 a share.

5 **III. CONCLUSIONS OF LAW**

6 1. The stock that Respondent offered to B.B. was a “security” as that term
7 is defined in AS 45.55.990(32).

8 2. Respondent violated AS 45.55.030(a) by offering stock to B.B. without
9 being registered as a broker-dealer agent in Alaska.

10 3. Respondent violated AS 45.55.025(3) by offering a stock to B.B. that was not
11 suitable based on the stock’s risk and B.B.’s age, poor health, and risk tolerance.

12 4. Respondent is subject to a civil penalty pursuant to AS 45.55.920(b) because he
13 knowingly and intentionally violated AS 45.55.030(a) and AS 45.55.025(3).

14 **IV. ORDER and NOTICE**

15 Pursuant to AS 45.55.920, and on the basis of the Findings of Fact, Conclusions of
16 Law, the Administrator ORDERS Respondent to:

- 17 1. CEASE AND DESIST from further conduct violating the Alaska Securities Act.
18 2. Comply with all provisions of the Alaska Securities Act, including associated
19 regulations.
20 3. Pay a civil penalty in the amount of twenty-five thousand dollars (\$25,000).

21 Pursuant to AS 45.55.940(a), Respondent may obtain a review of this Final
22 Order in the superior court by filing, in accordance with the rules of Appellate Procedure, a
23 notice of appeal. Pursuant to Appellate Rule 602(a)(2), the notice of appeal must be filed
24 within 30 days from the date this Final Order is mailed or otherwise distributed to

1 Respondent.

2 This Order is a publicly disclosable document.

3 **IT IS SO ORDERED.**

4 Chris Hladick, Commissioner
5 Department of Commerce, Community and
6 Economic Development

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8 DATED: April 18, 2016

/s/ Kevin Anselm
9 BY: Kevin Anselm, Director
10 Division of Banking and Securities

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