

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

IN THE MATTER OF:)
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)
GARDEN STATE SECURITIES, INC.)
)
)
Respondent.)
_____)

ORDER NO. 15-1520-S
ORDER TO CEASE AND DESIST
ASSESSING A CIVIL PENALTY
AND
CONSENT TO ORDER

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 Garden State Securities, Inc. (“Respondent”) and has determined that Respondent violated certain provisions of the Alaska Securities Act, Alaska Statute (“AS”) 45.55.

Respondent agrees that the Administrator has jurisdiction over Respondent and these matters pursuant to the Alaska Securities Act.

Respondent wishes to resolve and settle this matter with the Administrator. As evidenced by the authorized signature on this Order, Respondent consents to the entry of this Order assessing a civil penalty based on the Conclusions of Law and Order. Respondent waives its right of appeal under AS 45.55.920(d).

I. FINDINGS OF FACT

1. Respondent (CRD # 10083) is a broker-dealer firm with an address of 328 Newman Springs Road, Red Bank, New Jersey, 07701. Respondent has been registered in the State of Alaska as a broker-dealer firm since December 18, 2005. Respondent has not

1 previously been the subject of any regulatory proceedings in Alaska. Steven Trigili (“Trigili”)
2 (CRD # 2232496) is the Chief Compliance Officer.

3 2. On July 20, 2015, eighty year old Alaska resident B.B., who was then and
4 continues to be in very poor health, received an unsolicited phone call from Garland James
5 (“James”) (CRD # 2308721), a broker-dealer agent employed at Respondent since December
6 1, 2014, regarding a potential investment. B.B. had never heard of Respondent before and did
7 not know how James obtained his phone number. James was employed at Respondent’s
8 branch office located in New York, New York. Lev Lisser (“Lisser”) (CRD # 2138777) was
9 the branch supervisor.

10 3. During the conversation, James attempted to get B.B. to invest with Respondent by
11 offering stock in Theravance, Inc. (“Theravance”) (symbol: THRX), a biotechnology
12 company that was trading at \$16.02 a share at that time. James was not registered in Alaska
13 to offer and sell securities to Alaskan residents.

14 4. At the end of the conversation, James generated a new client account form for B.B
15 that identified B.B.’s risk tolerance as high risk. During the conversation, B.B. never stated to
16 James that he was interested in high risk investments.

17 5. On July 21, 2015, James had the new account form FedExed to B.B. along with a
18 letter requesting a personal check in the amount of \$82,000 to purchase the shares in
19 Theravance.

20 6. A few days after speaking with James, B.B. received the FedEx package. He did
21 not sign the new account form or send a check to Respondent. B.B. did not have any further
22 contact with James or anyone else at Respondent firm.

23 7. James applied for registration as a broker-dealer agent in Alaska on August 5,
24 2015.

1 8. On October 7, 2015, the Administrator interviewed James, Chief Compliance
2 Officer Trigili and another agent at Respondent by telephone. During the interview, James
3 acknowledged that biotechnology companies such as Theravance are “risky” stocks.
4 Moreover, when the Administrator asked James “Would you say that you would normally
5 recommend Theravance to an eighty year old man in poor health?” James responded “Of
6 course not.”

7 9. During the interview, Chief Compliance Officer Trigili said that Respondent could
8 not find any record of James ever contacting B.B. Trigili also stated that he had spoken to
9 Branch Supervisor Lisser, and Lisser was not familiar with B.B. and had no information
10 regarding James’ interaction with B.B. Trigili was only able to determine that B.B. was sent a
11 FedEx package by performing a search on fedex.com.

12 10. On October 19, 2015, Branch Supervisor Lisser voluntarily resigned his
13 employment with Respondent.

14 11. On November 2, 2015, Respondent terminated James’ employment for cause and
15 disclosed his improper actions on a U5 Termination Notice filed with CRD.

16 12. As of the date of this Order, Theravance is trading at \$8.37 a share.

17 13. Respondent has fully cooperated with the Administrator in this matter.

18 II. CONCLUSIONS OF LAW

19 1. The stock that James, as an agent for Respondent, offered to B.B. was a
20 “security” as that term is defined in AS 45.55.990(32).

21 2. Respondent violated AS 45.55.060(b)(1) by failing to reasonably supervise James.

22 3. Respondent is subject to a civil penalty pursuant to AS 45.55.920 because it
23 violated AS 45.55.060(b)(1).

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III. ORDER

Pursuant to AS 45.55.920, and on the basis of the Findings of Fact, Conclusions of Law and Respondent's consent to the entry of this Order, Respondent agrees to:

1. CEASE AND DESIST from further conduct violating the Alaska Securities Act.
2. Withdraw its registration as a broker-dealer in the State of Alaska.
3. Pay a civil penalty in the amount of twenty-five thousand dollars (\$25,000).

IT IS SO ORDERED.

CHRIS HLADICK, Commissioner
Department of Commerce, Community and
Economic Development

DATED: January 28, 2016

/s/ Kevin Anselm

BY: Kevin Anselm, Director
Division of Banking and Securities

Consent to Entry of Order

I, Louis Perrotto, state that I am the CEO of Garden State Securities, Inc. ("Respondent"); that I am authorized to act on its behalf; that I have read the foregoing Order and that I know and fully understand the Order contents; that Respondent has been advised of the right to a hearing and expressly waives any right to a hearing in this matter; that Respondent voluntarily and without any force or duress, consents to the entry of this Order, without admitting or denying the factual allegations stated herein; that Respondent understands that the Administrator reserves the right to take further actions to enforce this Order or to take

1 appropriate action upon discovery of other violations of the Alaska Securities Act; and that
2 Respondent will fully comply with the terms and conditions stated herein.

3 Respondent understands that this Order is a publicly disclosable document.

4
5 DATED: 1/22/2016

/s/ Louis L. Perrotto Jr.

Garden State Securities, Inc.

6 Name: Louis L. Perrotto Jr.

7 Title: CEO

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9 SUBSCRIBED AND SWORN TO before me this 22 day of January, 2016 at
10 Red Bank, N.J.

/s/ Kathleen M. Riviere

Notary Public in and for New Jersey

Kathleen M. Riviere

Notary Printed Name

My commission expires: September 2, 2018

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15 **Approved as to form and content:**

16
17 1/22/16
18 Date

/s/ Michael Baylous

Michael Baylous

Attorney for Garden State Securities, Inc.

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20 Contact Person:
21 David Newman
22 Securities Examiner
23 (907) 269-7678
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