

**COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE SECRETARY OF THE COMMONWEALTH
SECURITIES DIVISION
ONE ASHBURTON PLACE, ROOM 1701
BOSTON, MASSACHUSETTS 02108**

IN THE MATTER OF:

CARLENE B. VEARA

ADMINISTRATIVE COMPLAINT

Docket No. E-2010-0034

SECURITIES DIV.

2010 SEP 28 AM 11:10

SECRETARY OF
THE COMMONWEALTH

I. PRELIMINARY STATEMENT

The Enforcement Section of the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth (respectively, the "Enforcement Section" and the "Division") files this administrative complaint (the "Complaint") in order to commence an adjudicatory proceeding against Carlene B. Veara ("Respondent" or "Veara") for violating M.G.L. c. 110A, the Massachusetts Uniform Securities Act (the "Act"), and 950 CMR 10.00 *et seq.* (the "Regulations"). This Complaint is focused upon the Respondent's misuse of the trust placed in her by her clients at Morgan Stanley Smith Barney. Respondent used that trust to obtain full control of one investor's assets and redirect the elderly client's retirement savings to Cape Cod Caretakers Corp., a company for which Respondent is the sole owner and which Respondent failed to disclose to her broker-dealer as an outside business.

The Enforcement Section seeks an order requiring the Respondent to cease and desist from further violations of the Act, ordering the Respondent to provide an accounting of all proceeds which she received as a result of the alleged wrongdoing and to provide rescission to and to fairly compensate investors for those losses attributable to the alleged wrongdoing, ordering the Respondent to disgorge all profits and other direct or indirect remuneration received from the

alleged wrongdoing, ordering the retroactive of revocation the Respondent's registration as a registered representative of a broker-dealer, and imposing an administrative fine on the Respondent in such amount and upon such terms and conditions as the Director or Hearing Officer may determine. In addition, the Enforcement Section requests the Director or Hearing Officer take any other appropriate actions against the Respondent, which may be in the public interest and necessary for the protection of Massachusetts investors.

II. SUMMARY

Beginning May 4, 2010, the Division conducted a books and records examination of the Hyannis branch of Morgan Stanley Smith Barney, LLC ("MSSB"). The Division examiners reviewed the books and records of the firm and conducted interviews of staff and agents of the firm.

During the course of the examination, examiners confirmed that Carlene B. Veara, a registered representative of the firm, was running an outside business as the principal and sole executive officer of an organization called Cape Cod Caretakers Corp. Under both FINRA rules and Morgan Stanley Smith Barney policies, registered representatives must disclose such outside business activities to the firm as they potentially represent a significant conflict of interest. Veara explained to Division examiners that she knew of this policy. Veara, however, did not disclose this activity to her employer. In speaking to examiners, Veara claimed that her name on corporate documents was a formality as a result of her son's (Richard Flannery's) recent bankruptcy, and that she herself had no involvement in the management of the company. Veara further claimed that she did not think she had to disclose such an outside business to MSSB because of her limited, purely formal involvement. Veara went as far as to attempt to hide her

deep involvement in the day-to-day running of Cape Cod Caretakers by claiming that Richard Flannery was the real manager of the business.

Subsequent investigations by Division staff revealed that Veara had, in the years leading up to the examination of Morgan Stanley Smith Barney, been intimately involved in the day-to-day management of Cape Cod Caretakers. Subpoenaed documents from Cape Cod Caretakers' bank accounts demonstrated that Veara was the sole signatory on the Cape Cod Caretakers' checking account, and that she had written over 700 checks since 2006 to pay for operational expenses. Most records relating to the company were stored at Veara's residence, and virtually all the documents related to the running and management of Cape Cod Caretakers were created or collected by Veara. Further, Flannery later testified that he had not provided any services for Cape Cod Caretakers since May of 2009, much less run the operation. He also told Division staff that Carlene Veara has always been the manager of the company.

These misleading and inaccurate statements continued during sworn testimony before the Division. Veara testified, for example, that Mr. Flannery received no compensation from Cape Cod Caretakers. Veara indicated that any compensation for any services Flannery rendered as a supervisor for the company would be paid to Nautical Yachts, his charter fishing business, on a quarterly basis. The amount Nautical Yachts would be paid was to be based on any profits Cape Cod Caretakers received. Examiners, however, uncovered approximately 60 checks made payable directly to Mr. Flannery over the course of a year in \$1,000.00 or \$1,500.00 sums, paid typically on a weekly basis. Further, while Nautical Yachts received over \$60,000.00 from Cape Cod Caretakers, these checks were almost all noted as "loans" on the memo lines of the checks, and were not paid quarterly, or in any discernable pattern.

Division examiners uncovered a disturbing pattern that Veara, over a period of years, has systematically gained access and control over all the assets of one of her Morgan Stanley Smith Barney clients. This client is a 98 year-old woman in failing health with no known blood relatives. Veara has power of attorney for this investor, and has successfully transferred over \$177,000.00 from the investor's MSSB accounts to Cape Cod Caretakers. In the process, Veara has closed out two of the investor's accounts that were held jointly with the godchildren of the investor, and withdrawn money from an annuity, while electing to leave unmolested another account on which – until recently – Veara was listed as a 50% beneficiary.

Veara has also, at various times, gained a fiduciary power or beneficial interest in the investor's accounts. Veara has been assigned as power of attorney for this investor, an executrix of her will, a beneficiary of her will, a transfer on death beneficiary of her Morgan Stanley Smith Barney account valued at over \$600,000.00, a joint owner of the investor's bank account, and maintained a signed blank and undated annuity withdrawal form (granting her de-facto discretion to liquidate the investor's annuity). While a joint owner of the bank account, payments from Morgan Stanley Smith Barney from investor's accounts flowed into an account that Veara owned, in violation of FINRA rules. While Veara was employed at MSSB, none of these arrangements were affirmatively disclosed to her employer as required by MSSB policies and procedures.

Examiners have also determined that Veara has entered various forms of fiduciary relationships with multiple clients, such as a trustee of a trust, an executrix of a will, or as health care proxy – all without disclosing that relationship and associated conflicts of interest to her employer. Examiners have also determined that Veara used her position as a MSSB registered representative to refer other elderly clients with financial means and declining health to Cape

Cod Caretakers. To date, examiners have uncovered a total of \$443,251.84 in assets belonging to other Veara clients at Morgan Stanley Smith Barney that have been transferred to Veara's company.

III. JURISDICTION AND AUTHORITY

1. The Massachusetts Securities Division is a division of the Office of the Secretary of the Commonwealth with jurisdiction over matters relating to securities, as provided for by the Act. The Act authorizes the Division to regulate: 1) the offers, sales, and purchases of securities; 2) those individuals offering and/or selling securities; 3) those individuals transacting business as broker-dealer agents within the Commonwealth; and 4) those individuals transacting business as investment adviser representatives within the Commonwealth.
2. The Division brings this action pursuant to the enforcement authority conferred upon it by §§204 and 407A of the Act and M.G.L. c. 30A, wherein the Division has the authority to conduct an adjudicatory proceeding to enforce the provisions of the Act and all Regulations and rules promulgated thereunder.
3. This proceeding is brought in accordance with §§ 204 and 407A of the Act and its Regulations. Specifically, the acts and practices constituting violations occurred within the Commonwealth of Massachusetts.
4. The Division specifically reserves the right to amend this Complaint and/or bring additional administrative complaints to reflect information developed during the current and ongoing investigation.

IV. RESPONDENT

5. Carlene B. Veara (“Veara”), age 74, is an individual with a last known residential address of 52 Quartermasters Row, South Yarmouth, Massachusetts 02664. Veara is currently assigned Central Registration Depository (“CRD”) number 731444. Between at least January 25, 1988 and May 17, 2010, Veara has, at different times, been registered as a representative of various broker-dealers. Most recently, Veara was a registered representative of Morgan Stanley Smith Barney. Veara is not currently employed as a registered representative of a broker-dealer.

V. OTHER INVOLVED AND RELATED PARTIES

6. Richard C. Flannery (“Flannery”), is an individual with a last known residential address of 115 Spring Hill Avenue, Bridgewater, Massachusetts, 02324. Flannery is the son of Carlene B. Veara. Flannery declared bankruptcy October 16, 2006. Flannery has testified that he is currently self-employed as a captain for Nautical Yachts, a charter fishing business.
7. Morgan Stanley Smith Barney, LLC (“MSSB”) is a Limited Liability Company with a principal place of business at 2000 Westchester Avenue, Purchase, NY, 10577-2530. MSSB is a Financial Industry Regulatory Authority (“FINRA”) member and registered broker-dealer with a CRD number of 149777.
8. Cape Cod Caretakers Corp. (“Cape Cod Caretakers”) is a Massachusetts Corporation, with a principal place of business at 52 Quartermasters Row, South Yarmouth, Massachusetts 02664. Cape Cod Caretakers was incorporated on November 1, 2006. Veara is the President, Treasurer, Secretary, and sole executive officer of Cape Cod Caretakers.

VI. RELEVANT TIME PERIOD

9. Except as otherwise expressly stated, the conduct described herein occurred during the period of April 26, 2006, up to and including the present (the “Relevant Time Period”).

VII. ALLEGATIONS OF FACT

10. Between approximately January 25, 1988 and August, 5, 1991, Veara was registered in the Commonwealth of Massachusetts as an agent of Dean Witter Reynolds, Inc. Between approximately August 5, 1991 and May 4, 2001, Veara was registered in the Commonwealth of Massachusetts as an agent of UBS Painewebber, Inc. Between approximately May 4, 2001 and March 3, 2007, Veara was registered in the Commonwealth of Massachusetts as an agent of Citigroup Global Markets, Inc. Between approximately March 2, 2007 and April 2, 2007, Veara was registered in the Commonwealth of Massachusetts as an agent of Morgan Stanley DW, Inc. Between approximately April 2, 2007 and June 1, 2009, Veara was registered in the Commonwealth of Massachusetts as an agent of Morgan Stanley and Co., Incorporated. Between approximately June 1, 2009 and May 17, 2010, Veara was registered in the Commonwealth of Massachusetts as an agent of MSSB.
11. Veara’s business card at MSSB titled her a “financial advisor” of MSSB.
12. On May 4, 2010, the Division began an on-site examination of the books and records of MSSB (the “Examination”) at the firm’s Hyannis branch office.
13. As part of the Examination, the Division reviewed, as a broker-dealer agent of MSSB, Veara’s client files and other books and records.
14. As part of the Examination, the Division interviewed MSSB staff, including Veara.
15. On May 17, 2010, Veara was involuntarily discharged from MSSB.

16. On or about June 4, 2010, MSSB disclosed on the Central Registration Depository (“CRD”) that Veara was discharged for cause.
17. In the disclosure, MSSB alleged that Veara was discharged for “[v]iolation of firm policy for failure to disclose outside business activities and litigation matter as well as engaging in undisclosed fiduciary relationships with clients.”
18. On or about June 4, 2010, MSSB disclosed on the CRD that Veara was under internal review by MSSB beginning May 7, 2010 and continuing to the present.
19. In the disclosure, MSSB stated that the firm was reviewing “information that [Veara] was engaged in outside [*sic*] business activities without firm approval and was acting as a trustee/power of attorney for client accounts, including at her present and former firm, without notifying firm.”

Investor 1

20. Investor 1 is 98 years old.
21. Investor 1, on information and belief, is in declining health.
22. Investor 1, on information and belief, has no living blood relatives.
23. Investor 1 was, during the Relevant Time Period, a client of Veara at different broker-dealers, including MSSB and its predecessor entity Morgan Stanley.

Veara’s Control of Investor 1’s Finances

24. Since at least March 6, 2007, Veara has managed Investor 1’s multiple accounts as an agent of different broker-dealers, including MSSB and its predecessor entity, Morgan Stanley.
25. Veara has progressively exerted more power and control over Investor 1’s financial accounts and other assets.
26. Investor 1 had at least three accounts at MSSB during the Relevant Time Period.

27. Investor 1 owned a joint account with a godchild (the "First Joint Account").
28. The value of the First Account at approximately \$27,000 as of April, 2009.
29. Withdrawals from the First Account to Cape Cod Caretakers, which Veara facilitated, began in April, 2009.
30. Investor 1 owned another joint account with another godchild (the "Second Joint Account").
31. The value of the Second Account, was approximately \$28,000 as of August, 2008.
32. Withdrawals from the Second Account, which Veara facilitated, to Cape Cod Caretakers began in August, 2008.
33. By the terms of the accounts, upon Investor 1's demise, the First Account and Second Account would become the sole property of the respective godchild.
34. Veara facilitated the closing of the First Account and the Second Account through a series of withdrawals into Cape Cod Caretakers' bank accounts beginning in April 2009, and August 2008, respectively.
35. As of January 31, 2008, Investor 1's Individual Account was valued at \$887,182.69. See Exhibit 1.
36. Investor 1 maintained an annuity (the "Annuity") as part of the assets associated with the Individual Account. During the Examination, MSSB staff indicated that that the annuity is not held directly with MSSB and is not the subject to transfer-on-death instructions on the Individual Account.
37. During the Relevant Time Period, the Annuity was valued at approximately \$200,000.00.
38. During the Examination, a Division examiner reviewing Veara's client files discovered a signed, blank annuity withdrawal request form. The form was signed by Investor 1, was undated, and could be used for the Annuity. See Exhibit 2.

39. Use of this form would allow Veara to withdraw Annuity funds without the informed consent of Investor 1.
40. Veara holds power of attorney for Investor 1. See Exhibit 3.
41. Use of such a form would allow withdrawals from the Annuity without informing MSSB that Veara held power of attorney over Investor 1. During the Examination, MSSB staff stated that registered representatives such as Veara are required to disclose such fiduciary relationships to MSSB.
42. Investor 1 also maintains a checking account at a banking institution (the "Checking Account").
43. The Checking Account is jointly titled in the name of Investor 1 and Veara. See Exhibit 4.
44. On August 9, 2007, Veara processed instructions to have all accumulated interest transferred from Investor 1's Individual Account to the Checking Account. See Exhibit 4.
45. Veara submitted to MSSB a cancelled check for the Checking Account, which lists Veara and Investor 1 as the owners on the account.
46. As joint owner of the Checking Account, Veara owns all profits transferred into the Checking Account from Investor 1's Individual account.
47. Veara shares in all profits directly deposited from the Individual Account into the Checking Account.
48. By its terms, Veara will have sole ownership of all assets in the Checking Account upon Investor 1's demise.
49. On or about March 30, 2010, Veara submitted paperwork to MSSB to change the beneficiaries of Investor 1's Individual Account (the "Transfer-On-Death Instructions").

50. Veara facilitated the addition of herself as 50% beneficiary on the Individual Account through the submission of a Morgan Stanley Smith Barney "TOD Disclosure Agreement." The form was not dated. See Exhibit 5.
51. MSSB re-titled the Individual Account to reflect Veara as 50% transfer-on-death ("TOD") beneficiary on the Individual Account, as reflected by April 2010 statements for the Individual Account. See Exhibit 6.
52. The paperwork made Veara a 50% beneficiary of Investor 1's Individual Account. The account was valued at approximately \$658,671.96 at this time.
53. Examiners detected this beneficiary change during the Examination of MSSB's books and records.
54. Examiners informed MSSB that Veara was listed as a 50% TOD beneficiary on Investor 1's account, in violation of MSSB policies. Compliance and supervisory staff for the Hyannis branch of MSSB were unaware of this re-titling, and no action had yet been taken at the time information was brought to their attention.
55. On information and belief, MSSB reversed the TOD Instructions and removed Veara as 50% beneficiary for the Individual Account, as such designation was in violation of MSSB policies and procedures.
56. Veara is the executrix of Investor 1's will. See Exhibit 7.
57. Veara is also a contingent beneficiary of the will. See Exhibit 8.
58. Veara has also submitted instructions to MSSB that all further correspondence and materials on Investor 1's Individual account should be sent to a post office box care of Cape Cod Caretakers. See Exhibit 9.

59. On information and belief, Veara has access and control of this mailing address, while Investor 1 does not.
60. Since October 2009, Investor 1 has not received statements for the Individual Account directly from MSSB.
61. On information and belief, Veara has total control over all of Investor 1's financial assets.

Cape Cod Caretakers

62. Cape Cod Caretakers is owned and operated by Veara. Veara is the President, Treasurer, Secretary, and sole executive officer of Cape Cod Caretakers. See Exhibit 10.
63. In sworn testimony before the Division, Veara has testified that Cape Cod Caretakers was formed to "help her son out after his bankruptcy."
64. According to Cape Cod Caretakers' most recent annual report in 2009, the company's business is "social assistance – family and individual services." See Exhibit 10.
65. Veara has testified that Cape Cod Caretakers' function was to drive elderly persons to doctors appointments, cook meals, ensure proper medications were taken, and other routine tasks. Veara testified that she paid her employees twenty-five dollars (\$25.00) an hour, and also charged her Cape Cod Caretakers clients twenty-five dollars (\$25.00) dollars an hour.
66. During the Examination of MSSB in May of 2010, Veara stated to Division examiners that she had very little involvement with Cape Cod Caretakers.
67. During the Examination of MSSB in May of 2010, Veara stated to Division examiners that she was only listed as an executive officer for Cape Cod Caretakers because her son, Robert Flannery, had poor credit as a result of a recent bankruptcy. As a consequence, he could not procure adequate financing on his own.

68. During the Examination of MSSB in May of 2010, Veara stated to Division examiners that Flannery was responsible for the day-to-day operation of Cape Cod Caretakers.
69. The Division's review of bank statements subsequently revealed that Veara is the sole signatory for Cape Cod Caretakers' checking account.
70. The Division's review of bank statements subsequently revealed that Veara has endorsed over 700 checks for Cape Cod Caretakers since April of 2006.
71. The Division's review of Cape Cod Caretakers' records subsequently revealed that Veara's home address is the principal place of business of Cape Cod Caretakers and the central location at which Cape Cod Caretakers records are stored.
72. The Division's review of Cape Cod Caretakers records subsequently revealed that Veara is the primary author of most Cape Cod Caretakers records.
73. During the Relevant Time Period MSSB policies required Veara to disclose outside business activities.
74. During the Relevant Time Period, Veara made no effort to, and did not disclose, her outside business activity managing Cape Cod Caretakers to MSSB.

Investor I's use of Cape Cod Caretakers

75. During the Relevant Time Period, Veara arranged to have Investor I receive services through Cape Cod Caretakers.
76. In facilitating payments from Investor I to Cape Cod Caretakers, Veara has withdrawn money from the First Account, the Second Account, and the Annuity, but has not made substantial withdrawals from the Individual Account.
77. Veara has no beneficiary interest in the First Account, the Second Account, or the Annuity.
78. Veara was at one time a 50% beneficiary on the Individual Account. See Exhibit 6.

79. Veara facilitated the withdrawal of \$35,000 and \$40,000 from Investor 1's Annuity on July 28, 2009, January 4, 2010, respectively. See Exhibit 11. According to Veara's testimony, the forms were filled out by Veara.
80. Division examiners' review of paperwork from the annuity company revealed a third withdrawal from the Annuity account to Cape Cod Caretakers occurred on or about April 14, 2010, in the amount of \$40,000.00. See Exhibit 12.
81. In sworn testimony before the Division, Veara testified these deposits were advances for future services from Cape Cod Caretakers to Investor 1 and did not reflect payment for services rendered.
82. The funds from these withdrawals were all deposited into Cape Cod Caretakers' operational checking account. Cape Cod Caretakers therefore acted as custodian for these funds until their eventual use.
83. While deposited with Cape Cod Caretakers, these funds were used to pay Cape Cod Caretakers' ongoing operational expenses and bore no relation to the services rendered to Investor I by the company. MSSB prohibits registered representatives borrowing or lending money from clients.
84. Based on Division examiners' review of Cape Cod Caretakers' checking account statements, in a span of twenty (20) months from August of 2008 to April of 2010, a total of \$177,000.00 was withdrawn from Investor 1's accounts, and deposited into the Cape Cod Caretakers' checking account.
85. During the same time period, the First Joint Account and the Second Joint Account were both liquidated as partial payment of the \$177,000.00 sum.

86. In sworn testimony before the Division, Veara testified that Flannery “wasn’t pulling any money out [of Cape Cod Caretakers]” and “did not take any compensation from Cape Cod Caretakers.”
87. In sworn testimony before the Division, Veara testified that Flannery “received no other compensation” other than indirectly through Nautical Yachts.
88. Based on Division examiners’ review of Cape Cod Caretakers’ checking account statements, Veara has written Flannery weekly checks, typically in \$1000.00 and \$1500.00 amounts, from Cape Cod Caretakers.
89. In a span of twenty (20) months from August of 2008 to April of 2010, Veara endorsed approximately sixty (60) checks to the order of Flannery from the Cape Cod Caretakers’ checking account.
90. These checks were written on a weekly basis.
91. Based on Division examiners’ review of Cape Cod Caretakers checking account statements, the total amount of money paid by Cape Cod Caretakers to Flannery from August of 2008 to April of 2010 totals approximately \$98,400.00.
92. Flannery has testified that he has not performed services for Cape Cod Caretakers from May of 2009 to present.
93. Based on Division examiners’ review of Cape Cod Caretakers’ checking account statements, Veara wrote Flannery twenty-nine (29) checks made payable to Richard Flannery between May 2009 and March 2010. The total amount received by Flannery totaled \$42,800 during this period.
94. Veara testified that “if there was a profit” Nautical Yachts would receive a “quarterly” amount. The calculation of profit would be done by herself and her accountant.

95. Based on Division examiners' review of bank account statements from August of 2008 to April of 2010, Veara wrote Nautical Yachts \$69,500.00 in checks from various accounts, including the Cape Cod Caretakers account.

96. With the exception of one check made payable to Nautical Yachts from the Cape Cod Caretakers checking account, all of these checks are designated as "loans," not as compensation.

Other Investors

97. Veara has referred some of her other clients at MSSB to use Cape Cod Caretakers.

98. Division examiners have located at least an additional \$443,251.84 in MSSB client funds that have been paid to Veara and Cape Cod Caretakers during the Relevant Time Period.

99. Veara did not disclose the outside business activities related to these clients to MSSB.

100. Division examiners have also uncovered other MSSB clients for whom Veara has entered some sort of fiduciary relationship, such as a trustee of a trust, an executrix of a will, or a health care proxy.

101. Veara did not disclose these fiduciary relationships and associated conflicts of interest to MSSB.

VIII. VIOLATIONS OF LAW

Count I – Violation of M.G.L. c. 110A § 204(a)(2)(G)

102. Section 204(a)(2)(G) of the Act provides in pertinent part:

(a) The secretary may by order impose an administrative fine or censure or deny, suspend, or revoke any registration or take any other appropriate action if he finds (1) that the order is in the public interest and (2) that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser: --

G. has engaged in any unethical or dishonest conduct or practices in the securities, commodities, or insurance business.

103. 950 CMR § 12.204(1)(b)(1) provides in pertinent part:

(1) Dishonest and unethical practices in the securities business

(b) Agents. Each agent shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of his or her business. Acts and practices, including, but not limited to, the following, are considered contrary to such standards and constitute dishonest or unethical practices in the securities industry and are thereby grounds for imposition of an administrative fine, censure, denial, suspension, or revocation of a registration or such other action as is appropriate:

(1) Engaging in the practice of lending or borrowing money or securities from a customer, or acting as a custodian for money, securities or an executed stock power of a customer.

104. The Division herein re-alleges and restates the allegations and facts set forth in paragraphs 1 through 101 above.

105. The conduct of Respondent Veara, as described above, constitutes a violation of M.G.L. c. 110A, § 204(a)(2)(G).

Count II – Violation of M.G.L. c. 110A § 204(a)(2)(G)

106. Section 204(a)(2)(G) of the Act provides in pertinent part:

(a) The secretary may by order impose an administrative fine or censure or deny, suspend, or revoke any registration or take any other appropriate action if he finds (1) that the order is in the public interest and (2) that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser: --

G. has engaged in any unethical or dishonest conduct or practices in the securities, commodities, or insurance business.

107. 950 CMR § 12.204(1)(b)(4) provides in pertinent part:

(1) Dishonest and unethical practices in the securities business

(b) Agents. Each agent shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of his or her business. Acts and practices, including, but not limited to, the following, are considered contrary to such standards and constitute dishonest or unethical practices in the securities industry and are thereby grounds for imposition of an administrative fine, censure, denial, suspension, or revocation of a registration or such other action as is appropriate:

(4) Sharing directly or indirectly in profits and losses in the account of any customer without the written authorization of the customer and the broker-dealer that the agent represents.

108. The Division herein re-alleges and restates the allegations and facts set forth in paragraphs 1 through 101 above.

109. The conduct of Respondent Veara, as described above, constitutes a violation of M.G.L. c. 110A, § 204(a)(2)(G).

Count III – Violation of M.G.L. c. 110A § 204(a)(2)(G)

110. Section 204(a)(2)(G) of the Act provides in pertinent part:

(a) The secretary may by order impose an administrative fine or censure or deny, suspend, or revoke any registration or take any other appropriate action if he finds (1) that the order is in the public interest and (2) that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser: --

G. has engaged in any unethical or dishonest conduct or practices in the securities, commodities, or insurance business.

111. 950 CMR § 12.204(1)(b)(8) provides in pertinent part:

(1) Dishonest and unethical practices in the securities business

(b) Agents. Each agent shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of his or her business. Acts and practices, including, but not limited to, the following, are considered contrary to such standards and constitute dishonest or unethical practices in the securities industry and are thereby grounds for

imposition of an administrative fine, censure, denial, suspension, or revocation of a registration or such other action as is appropriate:

(8) Engaging in conduct specified in 950 CMR 12.204(1)(a)1, 2, 3, 4, 5, 6, 10, 11, 12, 13, 18, 19, 22, 23, 27, or 28.

112. 950 CMR § 12.204(1)(a)(28) provides:

(28) Failing to comply with any applicable provision of the NASD Rules of Fair Practice or any applicable fair practice or ethical standard promulgated by the SEC or by a self-regulatory organization approved by the SEC.

113. Without limiting the generality of the foregoing, the conduct of the Respondent as set forth above constitutes violations of the following:

114. NASD Rule 3030 provides in pertinent part:

No person associated with a member in any registered capacity shall be employed by, or accept compensation from, any other person as a result of any business activity, other than a passive investment, outside the scope of his relationship with his employer firm, unless he has provided prompt written notice to the member. Such notice shall be in the form required by the member.

115. FINRA Rule 3240 provides in pertinent part:

Permissible Lending Arrangements; Conditions

No person associated with a member in any registered capacity may borrow money from or lend money to any customer of such person unless:

(1) the member has written procedures allowing the borrowing and lending of money between such registered persons and customers of the member.

116. The Division herein re-alleges and restates the allegations and facts set forth in paragraphs 1 through 101 above.

117. The conduct of Respondent Veara, as described above, constitutes a violation of M.G.L. c. 110A, § 204(a)(2)(G).

Count IV – Violation of M.G.L. c. 110A § 404

118. Section 404 of the Act provides:

It is unlawful for any person to make or cause to be made, in any document filed with the secretary or in any proceeding under this chapter, any statement which is, at the time and in the light of the circumstances under which it is made, false or misleading in any material respect.

119. The Division herein re-alleges and restates the allegations and facts set forth in paragraphs 1 through 101 above.

120. The conduct of Respondent Veara, as described above, constitutes a violation of M.G.L. c. 110A, § 404.

IX. STATUTORY BASIS FOR RELIEF

121. Section 204(a) of the Act provides in pertinent part:

Denial, Revocation, Suspension, Cancellation, and Withdrawal of Registration

(a) The secretary may by order impose an administrative fine or . . . revoke any registration or take any other appropriate action if he finds (1) that the order is in the public interest and (2) that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser:

G. has engaged in any unethical or dishonest conduct or practices in the securities, commodities, or insurance business.

122. Section 407(A) of the Act provides in pertinent part:

Violations, Cease and Desist Orders and Costs

(a) If the secretary determines, after notice and opportunity for a hearing, that any person has engaged in or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order issued thereunder, he may order such person to cease and desist from such unlawful act or practice and may take affirmative action, including the imposition of an administrative fine, the issuance of an order for accounting, disgorgement or rescission or any other relief as in his judgment may be necessary to carry out the purposes of [the Act].

123. The Division herein re-alleges and restates the allegations and facts set forth in paragraphs 1 through 101 above.

124. Respondent Veara directly and indirectly engaged in the acts, practices, and courses of business as set forth in this Complaint above and it is the Enforcement Section's belief that Respondent Veara will continue to engage in acts and practices similar in subject and purpose which constitute violations if not ordered to cease and desist.

X. PUBLIC INTEREST

125. For any and all of the reasons set forth above, it is in the public interest and will protect Massachusetts investors to: 1) order Respondent to cease and desist from further violations of the Act; 2) require the Respondent to provide an accounting of all proceeds which she received as a result of the alleged wrongdoing and to provide rescission to and to fairly compensate investors for those losses attributable to the alleged wrongdoing; 3) order the Respondent to disgorge all profits and other direct or indirect remuneration received from the alleged wrongdoing; 4) order the retroactive revocation the Respondent's registration as a registered representative of a broker-dealer; 5) impose an administrative fine on the Respondent in such amount and upon such terms and conditions as the Director or Hearing Officer may determine, and; 6) take any other appropriate actions against the Respondent, which may be in the public interest and necessary for the protection of Massachusetts investors.

XI. RELIEF REQUESTED

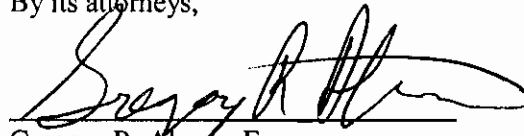
Wherefore, the Enforcement Section of the Division requests that the Director or Hearing Officer take the following actions:

- A) Find that all the sanctions and remedies as detailed herein are in the public interest and necessary for the protection of Massachusetts investors;
- B) Find as fact the allegations set forth in paragraphs 1 through 101, inclusive, of the Complaint;

- C) Order Respondent to cease and desist from further violations of the Act;
- D) Require the Respondent to provide an accounting of all proceeds which she received as a result of the alleged wrongdoing and to provide rescission to and to fairly compensate investors for those losses attributable to the alleged wrongdoing;
- E) Order the Respondent to disgorge all profits and other direct or indirect remuneration received from the alleged wrongdoing;
- F) Order the retroactive revocation the Respondent's registration as a registered representative of a broker-dealer;
- G) Impose an administrative fine on the Respondent in such amount and upon such terms and conditions as the Director or Hearing Officer may determine; and
- H) Take any other appropriate actions against the Respondent, which may be in the public interest and necessary for the protection of Massachusetts investors.

MASSACHUSETTS SECURITIES DIVISION

By its attorneys,



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Dated: September 28, 2010