

STATE OF MAINE
OFFICE OF SECURITIES
121 STATE HOUSE STATION
AUGUSTA, ME 04333



CENSURE OF
BROKER-DEALER

Nos. 00-027, 00-044

FINDINGS OF FACT AND CONCLUSIONS OF LAW

Pursuant to 32 M.R.S.A. §§ 10313(1) and 10708, the Securities Administrator finds and orders as follows:

1. Pruco Securities Corporation ("Pruco") has been licensed to do business in Maine as a broker-dealer since at least February 14, 1984. Pruco was incorporated in New Jersey in 1971, has a principal place of business at 751 Broad Street, Newark, NJ 07102-3777, and at all relevant times has maintained at least one branch office in Maine.
2. On November 1, 2002, the Securities Administrator issued two Notices of Intent to Issue a Cease and Desist Order ("the Notices") against several foreign business entities and individuals for selling unregistered securities in Maine. Specifically, those respondents sold investment contracts to Maine residents relating to internet kiosks and pay telephone booths. On January 14, 2003, the Securities Administrator issued two Cease and Desist Orders against those respondents, none of whom had requested a hearing.
3. Timothy E. Grant, Sr. ("Grant") is listed as a respondent in both Notices for his role as a local sales representative in Maine for several of the foreign business entities named as respondents.
4. On April 11, 2000, the Office of Securities took the sworn deposition of Grant, in which he confirmed and admitted many of the material allegations herein.
5. From approximately July 1999 to April 2000, Grant sold the investments to at least seventeen (17) Maine residents for total investments of at least \$357,800. Grant received commissions of between 10 and 15% for these sales.
6. From approximately April 1988 to March 2000, Grant was also a licensed sales representative of Pruco and sold the investment contracts to Pruco clients apparently

without Pruco's actual knowledge and through means designed to hide the activity from Pruco.

7. Pruco terminated Grant's employment in March 2000 upon learning of his unauthorized sales of investment contracts. In September 2001, the National Association of Securities Dealers permanently barred Grant from associating with any member firm in any capacity.
8. At all relevant times, Grant's designated Pruco branch office was located in Bangor, Maine, but in fact Grant worked from his home in Sangerville, Maine. He conducted his securities business and kept his client files at his home, going to the Bangor office only about twice a month for meetings.
9. Grant kept his Pruco client files in two file cabinets in a room in his home. He kept his files relating to the investment contracts in the same room, in a small container located next to the two file cabinets and visible to anyone entering the room.
10. According to Grant's sworn testimony, no supervisor, compliance officer, or other Pruco official ever visited Grant's home or inspected his customer files.
11. Pruco is a member of the National Association of Securities Dealers ("NASD"), a self-regulatory organization to which certain regulatory responsibilities have been delegated pursuant to the Securities Exchange Act of 1934.
12. NASD Rule 3010(c) requires members to undertake regular inspections of every "unregistered office," which is defined as a location where a member conducts securities business and which is neither designated as an office of supervisory jurisdiction nor registered as a branch office.
13. Grant's home meets the definition of an unregistered office because it was a location -- indeed the only location -- at which he regularly conducted securities business for Pruco.
14. Pruco's failure to inspect Grant's home and files violates NASD Rule 3010(c).
15. Pruco's failure to inspect Grant's home and files also violated the policies and procedures set forth in Pruco's own compliance manual, which at all relevant times required at least annual inspections of unregistered offices.
16. By failing to inspect Grant's home and files, Pruco failed to reasonably supervise Grant.
17. If Pruco had reasonably supervised Grant, it might have discovered Grant's involvement in selling unregistered securities to Pruco clients.
18. Pursuant to 32 M.R.S.A. § 10313(1)(J), the Securities Administrator may, after notice and opportunity for hearing, issue an order censuring a broker-dealer that has "failed reasonably to supervise sales representatives."

19. On December 31, 2002, the Securities Administrator issued a Notice of Intent to Censure Broker-Dealer, which gave Pruco thirty (30) days to request a hearing on the matter. Although Pruco's time to respond was later extended to February 14, 2003, Pruco did not request a hearing.

FINAL ORDER

NOW, THEREFORE, it is ORDERED that Pruco be censured pursuant to 32 M.R.S.A. § 10313(1)(J) for its failure to reasonably supervise one of its sales representatives.

Pursuant to 32 M.R.S.A. § 10708, this is a final order, entered after notice and opportunity for hearing. Pursuant to 32 M.R.S.A. § 10709, a party may obtain judicial review of the order in Kennebec County Superior Court by filing a petition within thirty (30) calendar days after receipt of the order, in accordance with 5 M.R.S.A. § 11001 et seq. and Rule 80C of the Maine Rules of Civil Procedure.

Date: February 19, 2003

/s/ Christine A. Bruenn
Christine A. Bruenn
Securities Administrator

Reviewed by:

Date: February 19, 2003

/s/ Bonnie E. Russell
Bonnie E. Russell
Supervisor of Enforcement

Presented by:

Date: February 19, 2003

/s/ Michael W. Atleson
Michael W. Atleson
Staff Attorney
(licensed in NY and MA, pending in ME)