

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF:

Proceedings by the Commissioner)
of Banking and Insurance, State)
of New Jersey, to fine, suspend)
and/or revoke the insurance)
licenses of Kathleen Mullins,)
Reference No. 9714995 and)
John Mullins,)
Reference No. 8201974)

**ORDER
TO
SHOW CAUSE**

TO: Kathleen Maria Mullins 510 N. Thurlow Avenue Margate, NJ 08402	Kathleen Maria Mullins Multi Financial Securities Corp. 1555 Zion Road/Suite 200 Northfield, NJ 08225
John Edward Mullins 510 N. Thurlow Avenue Margate, NJ 08402	John Edward Mullins Multi Financial Securities Corp. 1555 Zion Road/Suite 200 Northfield, NJ 08225

This matter, having been opened by the Commissioner of Banking and Insurance ("Commissioner"), State of New Jersey, upon information that Kathleen Mullins ("K. Mullins"), formerly licensed as a resident individual insurance producer pursuant to N.J.S.A. 17:22A-26 et seq., and John Mullins ("J. Mullins"), licensed as a resident individual insurance producer pursuant to N.J.S.A. 17:22A-26 et seq. (hereafter collectively referred to as "Respondents"), may have violated various provisions of the insurance laws of the State of New Jersey; and

WHEREAS, Respondents are subject to the New Jersey Insurance Producer Licensing Act of 2001, N.J.S.A. 17:22A-26 et seq.; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40a(16), no insurance producer shall commit any fraudulent act; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40a(18), no insurance producer shall fail to notify the commissioner within 30 days of his convictions of any crime, indictment or the filing of any formal criminal charges, or the suspension or revocation of any insurance license or authority by a state, other than this State, or the initiation of formal disciplinary proceedings in a state, other than this State, affecting the producer's insurance license; or failing to obtain the written consent pursuant to 18 U.S.C. sections 1033 and 1034; or failing to supply any documentation that the commissioner may request in connection therewith; and

WHEREAS, N.J.S.A. 17:22A-40d provides that the Commissioner shall retain the authority to enforce the provisions of and impose any penalty or remedy authorized by the New Jersey Insurance Producer Licensing Act of 2001 and Title 17 or Title 17B of the New Jersey Statutes who is charged with a violation, even if the person's license is expired or has lapsed by

operation of law; and

WHEREAS, Respondents were the subject of proceedings by the Financial Industry Regulatory Authority (FINRA) and are currently the subject of proceedings by the New Jersey Board of Securities related to their actions relative to an elderly widow, E.W., involving allegations that Respondents misused and converted funds from E.W.'s charitable foundation just after E.W. fell ill and was placed in a nursing home and used the money to pay for a vacation, clothes and wine and that Respondents accepted a \$100,000 bridge loan from E.W. for the purchase of a luxury home; and

COUNT 1

WHEREAS, J. Mullins first became employed in the securities industry on May 26, 1981 and was registered as a General Securities Representative with Morgan Stanley DW Inc. and was employed at the Firm's Northfield, NJ Branch operating the Mullins Group (hereafter referred to as the "Mullins Group") from June 28, 2002 until August 16, 2006; and

WHEREAS, J. Mullins was first licensed as an individual insurance producer beginning September 9, 1982 and currently maintains an active license; and

WHEREAS, J. Mullins serviced the accounts of an elderly

widow, E.W. during his employment with the "Mullins Group"; and

WHEREAS, J. Mullins was terminated from Morgan Stanley on August 16, 2006 for actions relating to the misappropriation of E.W.'s funds and the concealment of said behavior from Morgan Stanley; and

WHEREAS, E.W. established a charitable foundation on December 16, 1999 known as E.C. and P.H. W. Foundation (hereinafter "the Foundation") for the benefit of charities devoted to the promotion of musical arts; and

WHEREAS, the Foundation's certificate of incorporation listed J. Mullins and K. Mullins as trustees; and

WHEREAS, J. Mullins was appointed as Vice President of the Foundation; and

WHEREAS, Morgan Stanley's internal policies forbade a financial advisor from servicing an account in which he or she was acting in a fiduciary capacity and without prior approval from the company; and

WHEREAS, in or about June 2003, J. Mullins completed a 2003 Morgan Stanley-issued Branch Office Examination Registered Personnel Questionnaire asking, in part, that J. Mullins provide the firm with a list of "account numbers and positions for any [Morgan Stanley] accounts in which [he] was named as a trustee,

successor trustee, guardian, executor, and/or beneficiary (except beneficiary of parent, siblings and/or spouse accounts)" and he responded "none"; and

WHEREAS, on March 16, 2004, J. Mullins completed a Morgan Stanley-issued 2004 Compliance Branch Office Examination Registered Personnel Questionnaire which requested that he "List account numbers and positions for any [Morgan Stanley] accounts in which [he] was named as a trustee, successor trustee, guardian, executor, and/or beneficiary (except beneficiary of parent, siblings and/or spouse accounts)" and he responded "none"; and

WHEREAS, on March 8, 2005, J. Mullins completed a Morgan Stanley-issued Financial Advisor Questionnaire, which requested that he, "List or attach account numbers and fiduciary relationships for and (sic) [Morgan Stanley] accounts in which [he was] named as a trustee, successor trustee, guardian, executor, and/or beneficiary (except beneficiary of parent, siblings and/or spouse accounts)" and J. Mullins responded "none"; and

WHEREAS, on March 8, 2005, J. Mullins failed to list the Foundation on the same Morgan Stanley-issued Financial Advisor Questionnaire which requested that he, "List all profit and non-

profit organizations, companies and/or corporations in which [he was] a director, officer, employee or representative and identify position"; and

WHEREAS, on March 1, 2005, while still associated with Morgan Stanley, J. Mullins, along with his wife K. Mullins, borrowed \$100,000 as a bridge loan from E.W. to finance the purchase of a new luxury home despite being provided a copy of the Morgan Stanley policies stating employees are prohibited from lending to or borrowing from clients; and

WHEREAS, on March 8, 2005, within four days of repaying the loan to E.W., J. Mullins completed the same Morgan Stanley-issued Financial Advisor Questionnaire, which asked, "Have you within the past 12 months made loans to, or received loans from any of your clients or family members while they maintained accounts at Morgan Stanley?" and J. Mullins responded "no"; and

WHEREAS, on January 19, 2006, J. Mullins completed a Morgan Stanley-issued GWM Internal Audit Branch Financial Advisor Questionnaire and responded "no" to the question, "(D)o you maintain fiduciary relationships for any [Morgan Stanley] accounts in which you are named as a trustee, successor trustee, guardian, executor and or beneficiary (except beneficiary of parent sibling and or spouse account)"; and

WHEREAS, on January 19, 2006, on this same Morgan Stanley-issued GWM Internal Audit Branch Financial Advisor Questionnaire, which asked, "Have you within the past 12 months made loans to, or received loans from any of your clients or family members while they maintained accounts at Morgan Stanley?", J. Mullins responded "no"; and

WHEREAS, on or about April 3, 2006, E.W. became ill and was taken to a hospital where she remained until approximately April 11, 2006 when she was transferred from the hospital to the third floor hospital wing of her nursing home where she required professional nursing care on a 24 hour basis due to her illness; and

WHEREAS, on April 3, 2007, during testimony at the FINRA proceedings, J. Mullins described the third floor as the location at which a resident of the nursing home would be placed when "you are on your way out the door to a pine box;" and

WHEREAS, during E.W.'s stay in the intensive care unit of the nursing home, J. Mullins converted \$375,000 of E.W.'s assets to his own use; and

WHEREAS, on April 14, 2006, at the direction of J. Mullins, E.W. wrote a check in the amount of \$100,000 payable to Morgan Stanley Credit Corporation ("MSCC") but J. Mullins entered the

account number of his equity line of credit at MSCC on the memo line of the check and deposited this money into his MSCC line of credit, thereby reducing his outstanding balance; and

WHEREAS, on April 25, 2006, at the direction of J. Mullins, E.W. wrote a check in the amount of \$100,000 payable to Morgan Stanley Credit Corporation ("MSCC") but J. Mullins entered the account number of his equity line of credit at MSCC on the memo line of the check and deposited this into his MSCC line of credit, thereby reducing his outstanding balance; and

WHEREAS, on April 26, 2006, at the direction of J. Mullins, E.W. wrote a check in the amount of \$75,000 payable to Morgan Stanley Credit Corporation ("MSCC") but J. Mullins entered the account number of his equity line of credit at MSCC in the memo line of the check and deposited this into his MSCC line of credit, thereby reducing his outstanding balance; and

WHEREAS, on June 30, 2006, E.W. wrote a check in the amount of \$100,000 payable to Morgan Stanley Credit Corporation ("MSCC") but J. Mullins entered the account number of his equity line of credit at MSCC into the memo line of the check and deposited this into his MSCC line of credit, thereby reducing his outstanding balance; and

WHEREAS, on April 14, 2006, J. Mullins purchased \$11,000 in

various denominations of Four Seasons Hotel Gift certificates and first attempted to use the Foundation Account's debit card by signing his own name to the debit card bill but then presented to the Four Seasons Hotel a check written by J. Mullins, and signed by E.W., drawn from the Foundations Morgan Stanley account; and

WHEREAS, on May 23, 2006 to May 28, 2006, J. Mullins redeemed \$4,000 of the Four Seasons Hotel gift certificates purchased by J. Mullins from E.W.'s account on April 14, 2006 for his and his wife's own use and purposes during a personal vacation in London which was not related to the Foundation or to E.W.; and

WHEREAS, J. Mullins testified at the FINRA hearing that he intended to pay for replacement hotel gift certificates on his return, but that he did not, claiming that he "got stupid and sloppy" and simply neglected to do so; and

WHEREAS, on May 8, 2006, J. Mullins used the Foundation Account debit card to purchase from Morton's Restaurant 23 bottles of wine at \$72.00 per bottle, for a total of \$1,656.47, signed his own name to the Foundation Account debit card receipt in order to purchase from Morton's Restaurant the 23 bottles of wine and then had the 23 bottles of wine placed in his personal

wine locker at Morton's Restaurant where only J. Mullins could access it; and

WHEREAS, J. Mullins used four bottles of the wine purchased for his own personal use, specifically one on August 15, 2006, one on October 19, 2006 and two on May 3, 2007; and

WHEREAS, J. Mullins used three of the bottles of wine when he was no longer affiliated with the Foundation and no longer in contact with E.W.; and

WHEREAS, J. Mullins testified that the wine had "absolutely gone out of my mind" until he was questioned by New Jersey securities authorities on September 19, 2007; and

WHEREAS, on April 15, 2006, J. Mullins used the Foundation Account debit card to purchase eight gift certificates, totaling \$3,000 from Boyds of Philadelphia (hereafter referred to as "Boyds"), a men's and women's high fashion clothier, where J. Mullins had an account; and

WHEREAS, on April 19, 2006, J. Mullins redeemed five of the Boyds gift certificates, totaling \$2,500, to pay his personal clothing bill at Boyds; and

WHEREAS, on April 25, 2006, J. Mullins redeemed another \$500 of the Boyds gift certificates to pay his personal clothing bill at Boyds; and

WHEREAS, on June 25, 2006, J. Mullins used the Foundation Account debit card to purchase a Boyd's gift certificate for \$2,500 and redeemed the Boyd'S gift certificate to pay his personal clothing bill at Boyds; and

WHEREAS, J. Mullins testified at the FINRA hearing about the clothing purchases stating that they were intended to be sold at silent auctions to raise money for charities but he redeemed them for his personal use; and

WHEREAS, on December 23, 2008, at the Superior Court of New Jersey, Morris County, Law Division - Criminal Part, before the Honorable Salmen Vincent Ahto, J. Mullins entered a conditional plea of guilty to third degree misapplication of entrusted funds and was placed into the pretrial intervention program; and

WHEREAS, on December 23, 2008, in his colloquy before the court, J. Mullins acknowledged that his expenditure of Foundation monies for personal use was unauthorized and, not only violated the criminal code of New Jersey, but also violated applicable FINRA Rules of Conduct governing his relationship to the Foundation; and

WHEREAS, the aforementioned conduct of J. Mullins constitute fraudulent acts, in violation of N.J.S.A. 17:22A-40a(16); and

WHEREAS, J. Mullins has failed to notify the Department of Banking and Insurance of his entrance into the pre-trial intervention program within 30 days of his conditional plea in violation of N.J.S.A. 17:22A-40a(18); and

COUNT 2

WHEREAS, K. Mullins first became employed in the securities industry on February 1, 1993, was registered as a General Securities Representative with Morgan Stanley from June 28, 2002 until August 16, 2006 and worked at Morgan Stanley's Northfield, New Jersey branch office operating the Mullins Group; and

WHEREAS, K. Mullins serviced the accounts of an elderly widow, E.W. while employed with the "Mullins Group"; and

WHEREAS, K. Mullins became licensed as an individual insurance producer on March 18, 1997 but her license expired on January 31, 2009; and

WHEREAS, K. Mullins applied to the Department of Banking and Insurance on February 4, 2009 to renew her insurance producer license but was denied on May 29, 2009; and

WHEREAS, K. Mullins was terminated from Morgan Stanley on August 16, 2006 for unethical behavior related to the servicing of E.W.'s accounts; and

WHEREAS, E.W. established a charitable foundation on

December 16, 1999 known as E.C. and P.H. W. Foundation
(hereinafter "the Foundation") for the benefit of charities
devoted to the promotion of musical arts; and

WHEREAS, the Foundation's certificate of incorporation
listed J. Mullins and K. Mullins as trustees; and

WHEREAS, K. Mullins was appointed as Secretary/Treasurer of
the Foundation; and

WHEREAS, Morgan Stanley's internal policies forbade a
financial advisor from servicing an account in which he or she
was acting in a fiduciary capacity and without prior approval
from the company; and

WHEREAS, on or about June 20, 2003, K. Mullins completed a
Morgan Stanley-issued 2003 Compliance Branch Office Examination
Registered Personnel Questionnaire which requested that she,
"List account numbers and positions for any [Morgan Stanley]
accounts in which [she] was named as a trustee, successor
trustee, guardian, executor, and/or beneficiary (except
beneficiary of parent, siblings and/or spouse accounts)" and she
responded "none"; and

WHEREAS, on or about June 20, 2003, K. Mullins completed
the same Morgan Stanley-issued 2003 Compliance Branch Office
Examination Registered Personnel Questionnaire which also

requested that she, "List all profit and non-profit organizations, companies and/or corporations in which you are a director, officer, employee or representative and identify positions..." and, "Are accounts maintained at [Morgan Stanley] for the organizations or companies named in [6a] including retirement plans or accounts for officers and directors?" and K. Mullins answered "none"; and

WHEREAS, J. Mullins, who was originally assigned as Financial Advisor to the Foundation account, informed Morgan Stanley of his position as Vice President to the Foundation and was advised by Morgan Stanley Compliance Analyst Lisa Dachtler on July 1, 2003 that, due to his role as an officer, he should no longer serve as Financial Advisor to the Foundation Account; and

WHEREAS, in her Answer and Request for Expedited Hearing directed to the New Jersey Bureau of Securities, K. Mullins, who served as Treasurer/Secretary to the Foundation but did not inform Morgan Stanley of this role, admitted that "she took over the role of advisor to the Foundation account in July 2003"; and

WHEREAS, on or about March 11, 2004, K. Mullins completed a Morgan Stanley-issued 2004 Compliance Branch Office Examination Registered Personnel questionnaire, which requested that she

"List account numbers and fiduciary relationship for any [Morgan Stanley] accounts in which [she is] named as trustee, successor trustee, guardian, executor and/or beneficiary (except beneficiary of parent, sibling, and/or spouse accounts)" and K. Mullins did not list the Foundation account in response to this request; and

WHEREAS, this same Morgan Stanley-issued 2004 Compliance Branch Office Examination Registered Personnel Questionnaire also requested that K. Mullins, "List all profit and non-profit organizations, companies and/or corporations in which [she] is a director, officer, employee or representative and identify position..." and [6b] and "Are accounts maintained at [Morgan Stanley] for the organizations or companies named in [6a] including retirement plans or accounts for officers and directors?" to which she answered "No"; and

WHEREAS, on March 1, 2005, while still associated with Morgan Stanley, K. Mullins, along with her husband J. Mullins, borrowed \$100,000 as a bridge loan from E.W. to finance the purchase of a new luxury home despite being provided a copy of the Morgan Stanley policies stating "employees are prohibited from lending to or borrowing from clients"; and

WHEREAS, on March 8, 2005, only four days after repaying

the loan, K. Mullins completed a Morgan Stanley-issued Financial Advisor Questionnaire issued by Morgan Stanley and answered "no" to the following question, "Have you within the past 12 months made loans to, or received loans from any of your clients or family members while they maintained accounts at Morgan Stanley?"; and

WHEREAS, on March 8, 2005, while completing the same Morgan Stanley-issued Financial Advisor Questionnaire, K. Mullins failed to list the Foundation in response to the request that she, "List or attach account numbers and fiduciary relationships for and (sic)[Morgan Stanley] accounts in which [she was] named as a trustee, successor trustee, guardian, executor, and/or beneficiary (except beneficiary of parent, siblings and/or spouse accounts)"; and

WHEREAS, on March 8, 2005, while completing the aforementioned Morgan Stanley-issued Financial Advisor Questionnaire, K. Mullins did not list or identify her position with the Foundation in response to the request to, "List all profit and non-profit organizations, companies and/or corporations in which [she was] a director, officer, employee or representative and identify position"; and

WHEREAS, on January 19, 2006, K. Mullins completed Morgan

Stanley-issued GWM Internal Audit Branch Financial Advisor Questionnaire and answered "no" to the question that asked, "Do you maintain fiduciary relationships for any [Morgan Stanley] accounts in which you are named as a trustee, successor trustee, guardian, executor and or beneficiary (except beneficiary of parent, sibling and or spouse account)"; and

WHEREAS, on January 19, 2006, when K. Mullins completed this same Morgan Stanley-issued GWM Internal Audit Branch Financial Advisor Questionnaire, which asked, "Have you within the past 12 months made loans to, or received loans from any of your clients or family members while they maintained accounts at Morgan Stanley?", and responded "no"; and

WHEREAS, on August 11, 2006, Morgan Stanley changed the office locks to the main entrance and to the offices of certain staff, including K. Mullins, to prevent those staff from obtaining access to the main entrance and to preserve the status of the designated offices; and

WHEREAS, after K. Mullins was terminated from employment, staff from Morgan Stanley found four signed Foundation checks in K. Mullins' bottom left desk drawer, containing the signature of E.W., all of which checks were blank as to date, payee and amount; and

WHEREAS, after K. Mullins' termination from Morgan Stanley, staff from Morgan Stanley found a batch of unopened E.W. or Foundation account statements in K. Mullins' desk; and

WHEREAS, in response to a set of questions posed to K. Mullins by NYSE Regulation on January 30, 2007, K. Mullins, through her attorney Frank Arleo, Esq., responded "No" to the question that asked, "Did you maintain any file(s) containing any financial documents relating to [E.W.] and/or [E.W.]'s affairs? This would include but not be limited to any financial statements, signed authorizations, cancelled checks, checkbooks, and any other type of account books, records, ledgers, notes and memorandum whether authored by you, E.W. and/or P.W."; and

WHEREAS, the aforementioned conduct constitute fraudulent acts in violation of N.J.S.A. 17:22A-40(16); and

NOW, THEREFORE, IT IS on this **4th** day of **March**, 2010

ORDERED that pursuant to the provisions of N.J.S.A. 17:22A-40a, Respondents shall appear and show cause why their insurance producer licenses shall not be revoked by the Commissioner; and it is further

ORDERED that Respondents appear and show cause why the Commissioner should not assess fines up to \$5,000.00 for the

first violation and not exceeding \$10,000.00 for each subsequent violation, pursuant to the provisions of N.J.S.A. 17:22A-45c, due to their failure to comply with New Jersey's insurance laws and regulations; and it is further

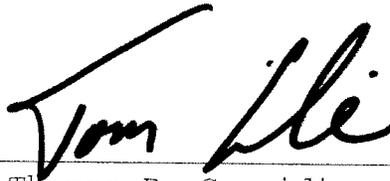
ORDERED that Respondents appear and show cause why they should not be subject to additional penalties, fines, restitution of fees improperly charged to and collected from clients, and reimbursement of the costs of investigation and prosecution by the Department of Banking and Insurance pursuant to the provisions of N.J.S.A. 17:22A-45c; and

IT IS PROVIDED that Respondents have the right to request an administrative hearing, to be represented by counsel or other qualified representative, at their own expense, to take testimony, to call or cross-examine witnesses, to have subpoena and subpoena duces tecum issued and to present evidence or argument if a hearing is requested; and

IT IS FURTHER PROVIDED that, unless a request for a hearing is received within twenty (20) days of the service of this Order to Show Cause, the right to a hearing in this matter shall be deemed to have been waived by the Respondents, and the Commissioner shall dispose of this matter in accordance with law. A hearing may be requested by mailing the request to Thomas F. Ritardi, Manager of Enforcement, Department of Banking and Insurance, P.O. Box 329, Trenton, N.J. 08625 or by faxing the request to the Department at (609) 292-5337. The request shall contain:

(A) The licensee's name, address, and daytime telephone number;

- (B) A statement referring to each charge alleged in this Order to Show Cause and identifying any defense intended to be asserted in response to each charge. Where the defense relies on facts not contained in the Order to Show Cause, those specific facts must be stated;
- (C) A specific admission or denial of each fact alleged in this Order to Show Cause. Where the Respondents have no specific knowledge regarding a fact alleged in this Order to Show Cause, a statement to that effect must be contained in the hearing request. Allegations of this Order to Show Cause not answered in the manner set forth above shall be deemed to have been admitted; and
- (D) A statement requesting a hearing.

A handwritten signature in black ink, appearing to read "Tom Considine". The signature is written in a cursive style with a horizontal line underneath it.

Thomas B. Considine
Acting Commissioner