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STATE OF NEW JERSEY  
OFFICE OF ADMINISTRATIVE LAW  
OAL Docket No.: BOS 02376-2008S  
OAL Docket No.: BOS 02917-2008S

IN THE MATTERS OF:

JOHN EDWARDS MULLINS;  
(CRD#1007176)

Respondent.

**ADMINISTRATIVE  
CONSENT ORDER AS TO  
JOHN EDWARDS MULLINS**

This matter was commenced by the issuance of a Summary Denial Order ("Summary Order") issued by the Bureau of Securities ("Bureau") on February 14, 2008 against John Edwards Mullins ("John Mullins"), CRD# 1007176, and Kathleen Maria Mullins ("Kathleen Mullins"), CRD# 2790621, which summarily denied agent and investment adviser representative registrations

to John Mullins and Kathleen Mullins. John Mullins and Kathleen Mullins, through counsel, answered and contested the Summary Order. The matter was transmitted by the Bureau of Securities to the Office of Administrative Law.

The Acting Chief of the Bureau, Amy Kopleton ("Bureau Chief"), in the interest of preserving resources and without prejudicing the public interest, and John Mullins have agreed to resolve any and all issues in controversy in this matter on the terms set forth in this Administrative Consent Order ("Consent Order").

**FINDINGS OF FACTS AND CONCLUSIONS OF LAW**

The Bureau Chief makes and John Mullins accepts and consents, without admitting or denying the findings, prior to a hearing and without adjudication of any issues of law or fact, to the entry of the following findings by the Bureau Chief:

1. John Mullins (CRD #2790621) residing in Margate, N.J. 08402, at all times relevant herein, has been the spouse of Kathleen Mullins. John Mullins was registered with the Bureau as an agent and investment adviser representative of Morgan Stanley from approximately June 28, 2002 until August 16, 2006. During their association with Morgan Stanley, Kathleen Mullins and John Mullins worked together from Morgan Stanley's offices located at 1601 New Road, 1<sup>st</sup> Floor, Northfield, N.J. 08825.

2. Esther C. Weil ("Esther") (deceased 2/2/2008) and her husband Paul H. Weil ("Paul") (deceased 12/14/1999) (collectively, the "Weils") became clients of John Mullins in 1981, while he was associated with Bache, Halsey, Stuart and Shields (later acquired by Prudential Securities, Inc.). At the time both Esther and Paul were over 70 years of age, retired and well recognized in the music community in southern New Jersey and Philadelphia for their philanthropic activity. Neither Paul, nor Esther had any children or immediate family. Over time John Mullins and Kathleen Mullins socialized with the Weils and became close in their personal and philanthropic lives.
3. John Mullins and Kathleen Mullins frequently dined and attended social events with the Weils. The Weils told John Mullins and Kathleen Mullins that they wanted to leave them in their will a Philadelphia apartment they owned.
4. John Mullins and Kathleen Mullins were involved in the intimate and personal aspects of Esther's life. John Mullins and Kathleen Mullins at times helped Esther write out her checks to pay personal obligations and to fund her philanthropic efforts. On occasion, Esther's only writing on the checks was her signature. John Mullins and Kathleen Mullins had access to blank checks containing her signature. On October 17, 2003, Esther, through her attorney, executed



general powers of attorney authorizing John Mullins and Kathleen Mullins to serve as agents on her behalf.

5. In December 1999, Esther established the Esther C. and Paul H. Weil Foundation, Inc. (the "Foundation") as a tax exempt, non-profit corporation. The Foundation's purpose was to facilitate her charitable works involving music by distributing her assets through the Foundation. Esther was named as president of the Foundation. John Mullins was named as vice president of the Foundation and Kathleen Mullins as secretary and treasurer of the Foundation. John Mullins and Kathleen Mullins were also named as members to the Foundation's Board of Trustees. The Foundation's largest beneficiaries included the Choral Arts Society and the Kimmel Center for the Performing Arts of Philadelphia.
6. Following establishment of the Foundation, the attorney for the Foundation advised John Mullins, both verbally and in writing (letter dated April 19, 2000), against the issuance of credit cards for the Foundation because, among other reasons, ". . . the use of credit cards diminishes control of the funds, as well as record keeping in the [F]oundation. . . ."
7. Following Paul's death, Esther continued to maintain accounts in her own name and the Foundation's name at Prudential Securities, Inc. In June 2002, Esther transferred her accounts from Prudential Securities to Morgan Stanley,

coinciding with John Mullins and Kathleen Mullins' new employment at Morgan Stanley. Esther also opened additional accounts at Morgan Stanley. John Mullins was the financial adviser for each of these accounts. In July 2003, the role of financial adviser for the Foundation account was transferred to Kathleen Mullins by Morgan Stanley branch personnel. Debit cards were issued for both Esther's accounts and the Foundation's account. Esther's accounts were among the highest revenue generating clients for John Mullins at Morgan Stanley.

8. In March 2005, when the Mullins were engaged in the construction of a home valued at approximately \$1.2 million, Esther made a short term loan of \$100,000 to John Mullins and Kathleen Mullins. The loan was repaid within days after origination. This financial transaction contradicted Morgan Stanley's policies on loans from clients and was never disclosed to Morgan Stanley.
9. Starting on November 25, 2005, Morgan Stanley's policies prohibited financial advisers from becoming a beneficiary of a client's will, except in instances involving family members. Morgan Stanley's policies also required the disclosure of outside business activities, prohibited an adviser from acting as an officer of a client organization without disclosure to and authorization from Morgan Stanley and prohibited advisers

from acting as a fiduciary of a client without prior authorization of the firm. As part of its compliance procedures, Morgan Stanley required its financial advisers to complete annual certifications attesting to the financial adviser's activities relating to these and other subject matters.

10. Morgan Stanley's policies cited above are consistent with industry practices, and long established principles of trade in the securities industry.
11. John Mullins did not disclose to Morgan Stanley at any time the fact that they were told that they might be inheriting real estate valued at approximately \$350,000 to \$400,000 from the Wells, a non-family member client of the firm, with whom they shared a 25 year family-like relationship.
12. Pursuant to the trust documents, John Mullins had the capacity to act in a fiduciary capacity with respect to Esther without disclosure of this fact to Morgan Stanley and contrary to Morgan Stanley's stated policy.
13. John Mullins was an officer of the Foundation, a client of the firm and received written permission to act in that capacity from Morgan Stanley.
14. In the Spring 2006, at the age of 95 years, Esther became ill. On April 3, 2006, she was admitted to the hospital suffering from diabetes, nose bleeds and low oxygen levels. Doctors



told John Mullins that her condition was so serious that ". . . she is never going home. This is her final hurrah. . . ."

15. On or about April 11, 2006, Esther was moved from the hospital to the medical section located on the third floor of the Shores, where she stayed until May 4, 2006. In testimony, John Mullins described the third floor of the Shores as ". . . the third floor is that you are on your way out the door to the pine box. . . ." Esther remained in the medical section for approximately one month while she recuperated.
16. Commencing with Esther's illness in the Spring 2006, and continuing until John Mullins and Kathleen Mullins' dismissal from Morgan Stanley on August 14, 2006, there was a pattern of financial transactions by John Mullins, including ATM withdrawals, debit card charges and check withdrawals against Esther's Accounts and the Foundation's account at Morgan Stanley, which benefited John Mullins and Kathleen Mullins. These transactions, which went undisclosed to Morgan Stanley, were contrary to the fiduciary obligations of John Mullins and a clear misapplication of Esther's and the Foundation's assets by John Mullins for the benefit of himself and Kathleen Mullins.
17. In the thirty-six months preceding Esther's April 2006 hospitalization, there were 45 debit card transactions totaling approximately \$15,000 against the Foundation and

Esther's Morgan Stanley accounts. In the four and one-half months following Esther's admission to the hospital, there were 191 debit card transactions totaling over \$54,000.00 charged against these accounts by John Mullins. Over \$14,000 of these charges were cash withdrawals at ATMs ranging in amounts from \$200 to \$500 Over \$11,000 was spent at various restaurants.

18. During Esther's stay in the medical section of the Shores and shortly thereafter, John Mullins employed a scheme to convert \$375,000.00 of Esther's assets to his own use. At John Mullins' direction, Esther wrote four checks, three in separate amounts of \$100,000 on the dates of April 14, 25, and June 30, 2006, and one check in the amount of \$75,000 on April 26, 2006. John Mullins directed Esther to make each of these checks payable to Morgan Stanley Credit Corporation ("MSCC") thereby disguising these transactions as transfers among Esther's accounts at Morgan Stanley rather than payments to John Mullins. On all four of these checks, John Mullins entered the account number of his equity line of credit at MSCC in the memo line of the check. All four checks were deposited in his MSCC line of credit thereby reducing his outstanding balance.
19. John Mullins did not disclose and otherwise concealed these transactions from Morgan Stanley, Esther's attorney and others



until after they were detected by Morgan Stanley, which ultimately led to John Mullins and Kathleen Mullins termination from Morgan Stanley on August 16, 2006.

20. In order to fund these transactions, John Mullins effected liquidating transactions in Esther's account without her knowledge or consent.
21. Contemporaneously with these transactions, John Mullins and Kathleen Mullins incurred over \$177,000 in expenses against their MSCC line of credit account for furnishings, decorations, including \$40,000 drapes for their newly constructed home.
22. During the period following Esther's hospitalization on April 3, 2006, John Mullins charged \$16,500 to the Foundation's Morgan Stanley account for the purchase of gift certificates, the vast majority of which used for the personal benefit of John Mullins and Kathleen Mullins.
23. On April 12, 2006, the day following Esther's release from the hospital to the medical unit at the Shores, John Mullins purchased \$11,000 worth of Four Seasons Hotel and Resorts ("Four Seasons") gift certificates using a check drawn against the Foundation's Morgan Stanley account, which was part of the cash discussed in paragraph 22. Although the check contained Esther's signature, all other information on the check was filled out by John Mullins. In May 2006, \$4,000 of the Four

Season gift certificates were used to purchase a personal vacation to London, England, for John Mullins and Kathleen Mullins. John Mullins retained over \$6,000.00 of these certificates until well after the initiation of the investigation into his activities.

24. On April 18, 2006, John Mullins purchased \$3,000 in gift certificates at Boyd's Department Store ("Boyd's") using the Foundation's debit card, which he applied to his personal charges at Boyd's within one week of the purchase.
25. On June 26, 2006, John Mullins purchased another \$2,500 in gifts certificates at Boyd's using the Foundation's debit card. On July 12, 2006, John Mullins applied the Boyd's gift certificates against his personal charges at Boyd's.
26. On May 8, 2006, John Mullins purchased 23 bottles of Beringer Private Reserve Cabernet (the "Wine") at Morton's Steakhouse in Atlantic City, N.J. ("Morton's") charging \$1,634.47 to the debit card against the Foundation's Morgan Stanley account. John Mullins directed Morton's to store the Wine in a private wine locker at Morton's held in John Mullins' name only. As late as May 3, 2007, nearly nine months after Morgan Stanley terminated John Mullins' employment, John Mullins continued to withdraw and consume the Wine from the private locker in his name at Morton's.

27. In June 2006, with the knowledge of Esther, the Foundation attorney, and Foundation accountant, John Mullins attended a not-for-profit industry conference hosted by the American Institute of Certified Public Accountants ("AICPA") in Washington, D.C. The conference meeting was held on June 15 and June 16, 2006, at the Grand Hyatt Washington. John Mullins flew from Philadelphia, P.A., to Washington, D.C. on June 13, 2006. Kathleen Mullins joined him on June 15, 2006, flying first class from Philadelphia, P.A., to Washington, D.C., at an expense of over \$800.00, which was subsequently billed back to the Foundation. John Mullins and Kathleen Mullins returned to Philadelphia together on June 17, 2006.
28. Pursuant to N.J.S.A. 49:3-58(a)(2)(vii), John Mullins has "engaged in dishonest and unethical practices in the securities, commodities, banking, insurance or investment advisory business," which is grounds to deny, suspend, or revoke the agent and investment adviser representative registration of John Mullins, by:
- a. Converting Esther's and the Foundation's funds for his own personal benefit, including, using \$375,000 of Esther's money to pay his MSCC, making unauthorized transaction on Esther's debit card, and using Foundation funds for his personal benefit; and



b. Accepting a short term loan from a client, Esther, and failing to disclose the loan to Morgan Stanley, in violation of the firm's compliance policies and procedures.

29. Based upon the foregoing and pursuant to N.J.S.A. 49:3-58(a)(1), it is in the public interest to deny the agent and investment adviser representative registrations of John Mullins.
30. The activities set forth herein are grounds, pursuant to N.J.S.A. 59:3-70.1, to assess a monetary penalty of \$10,000.00 for the first violation and \$20,000 for each subsequent violation of the Securities Law.

**THEREFORE**, based on the foregoing findings of facts and conclusions of law, and a finding that this Consent Order is in the public interest,

IT IS on this 25<sup>th</sup> day of May 2011, **AGREED THAT:**

31. John Mullins consents to the Bureau Chief's denial of his agent and investment adviser representative registrations and agrees never to apply to be registered in any capacity with the Bureau or act as an investment adviser representative or agent.
32. John Mullins is assessed a civil monetary penalty in the amount of \$40,000, pursuant to N.J.S.A. 49:3-70.1, which shall be immediately due and payable to the Bureau upon John Mullins

signing this Consent Order. In the event that John Mullins fails to pay any portion of the civil monetary penalty upon signing this Consent Order, the Bureau may at its option docket this Consent Order pursuant to the New Jersey Court Rules. All payments shall be made payable to the "Bureau of Securities, State of New Jersey," and mailed to P.O. Box 47029, Newark, New Jersey 07101.

33. John Mullins is denied all exemptions contained in N.J.S.A. 49:3-50 subsection (a) paragraphs 9, 10, and 11 and subsection (b).
34. John Mullins is denied all exemptions to the registration requirements provided by N.J.S.A. 49:3-56(b), N.J.S.A. 49:3-56(c) and N.J.S.A. 49:3-56(g).

**GENERAL PROVISIONS**

35. Pursuant to N.J.A.C. 1:1-19.1(d) this Consent Order shall be deemed the final decision as to John Mullins.
36. No employee or official of, or person representing, the Bureau has made any additional promise or representation to the John Mullins regarding this Consent Order.
37. This Consent Order is to be filed with the Clerk of the Office of Administrative Law, as required by N.J.A.C. 1:1-19.1(c)(2), as soon as practicable after it is fully executed.

38. This Consent Order shall not bind any person not a party thereto. Each of the undersigned has read this Consent Order, understands it, and agrees to be bound by its terms.
39. John Mullins agrees that for purposes of this matter or future proceedings to enforce this Consent Order that this Consent Order shall have the same effect as if proven and ordered after a full hearing pursuant to N.J.S.A. 52:14B-1 et seq.

NEW JERSEY BUREAU OF SECURITIES


BY:



Amy Kopleton  
Acting Chief



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Attorney General of New Jersey

By:   
Toral M. Joshi  
Deputy Attorney General

Dated: May 25, 2011


By:   
Emanuel S. Asmar  
Deputy Attorney General

Dated: MAY 25, 2011

  
John Edwards Mullins

Dated: May 25, 2011

The undersigned counsel for  
John Mullins consents to the  
form and entry of this Consent Order.

By:   
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Dated: 5/25/11