

STATE OF NEW JERSEY  
BUREAU OF SECURITIES  
P.O. Box 47029  
Newark, New Jersey 07101  
(973) 504-3600

**IN THE MATTER OF:**

Philip J. Sparacino (CRD No. 3243960),

Respondent.

**SUMMARY PENALTY AND  
REVOCATION ORDER**

Pursuant to the authority granted to Christopher W. Gerold, Chief of the New Jersey Bureau of Securities (“Bureau Chief”), under the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -83 (“Securities Law”) and certain regulations thereunder, and based upon documents and information obtained during the investigation by the New Jersey Bureau of Securities (“Bureau”), the Bureau Chief hereby finds that there is good cause and it is in the public interest to enter this Summary Penalty and Revocation Order (“Order”) against Philip J. Sparacino and makes the following findings of fact and conclusions of law:

**FINDINGS OF FACT**

**Introduction**

1. Since at least June 2019, Philip J. Sparacino (“Sparacino”) has engaged in a pattern of unauthorized, excessive, unsuitable, and fraudulent trading activity in the accounts of customers of First Standard Financial Company, LLC (“First Standard”), a broker-dealer based in Red Bank, New Jersey. This fraudulent trading activity corresponds to the departure of many of First

Standard's agents. As those agents left the firm, many of their customers still maintained accounts at First Standard. Sparacino had access to dozens of newly inherited customer accounts to generate commissions and he did not miss the opportunity. In April and May 2019, Sparacino generated a total of only \$24,258 in commissions and fees.<sup>1</sup> By comparison, from June 1, 2019 through October 4, 2019, Sparacino generated \$1,452,514 in commissions and fees.<sup>2</sup>

2. While the pattern began in June 2019, the fraudulent activity ramped up significantly between September 19, 2019, a day after First Standard's Chief Operating Officer left, and September 30, 2019. During that time period, Sparacino generated \$453,231 in commissions and fees by executing more than 300 trades. Sparacino was able to accomplish this volume of trading and commission generation by means of fraud, including engaging in unauthorized trading, using margin without authorization, misrepresenting the amount of commissions to customers, and excessive trading.

### **Respondent**

3. Sparacino (CRD No. 3243960), residing in Staten Island, New York, is registered with the Bureau as an agent of First Standard in its office located in Red Bank, New Jersey. Since 2007, Sparacino has been registered with the Bureau as an agent of the following broker-dealers:

- a. Investors Capital Corp. (CRD No. 30613), from August 13, 2007 through January 17, 2008;
- b. Newbridge Securities Corporation (CRD No. 104065), from January 25, 2008 through February 26, 2008;
- c. Mercer Capital Ltd. (CRD No. 104012), from March 19, 2008 through December 31, 2009;
- d. Brookstone Securities, Inc. (CRD No. 13366), from May 11, 2010 through June 21, 2012;

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<sup>1</sup> Excluding trade cancellations and rebills.

<sup>2</sup> Excluding trade cancellations and rebills.

- e. Alexander Capital, L.P. (CRD No. 40077), from June 20, 2012 through June 27, 2014; and
- f. First Standard (CRD No. 168340), from August 15, 2014 through present.

4. Sparacino's reportable disclosures include a pending FINRA arbitration in which a customer alleges Sparacino caused customer losses over \$90,000 by churning customer funds and entering unsuitable trades. Sparacino is also the subject of two outstanding civil judgments in New York.

#### **First Standard**

5. First Standard has been registered with the Bureau as a broker-dealer since August 15, 2014 and maintains a main office address of 21 East Front Street, Suite 100, Red Bank, New Jersey. As of December 31, 2018, First Standard had forty-four agents registered with the Bureau and branch offices in New York. More recently, it has seen an exodus of agents and principals leaving to join other broker-dealers. Currently, First Standard has only three agents registered with the Bureau and only maintains the New Jersey location.

#### **Sparacino Engaged in a Pattern of Deceit**

6. Since at least June 2019, Sparacino has engaged in a pattern of unauthorized, excessive, unsuitable, and fraudulent trading activity on behalf of customers of First Standard following the departure of many of First Standard's agents. Sparacino had access to dozens of newly inherited customer accounts which he used as a vehicle to generate exorbitant commissions at the customers' expense. In April and May 2019, Sparacino generated a total of only \$24,258 in commissions and fees.<sup>3</sup> In contrast, from June 1, 2019 through October 4, 2019, Sparacino generated \$1,452,514 in commissions and fees.<sup>4</sup>

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<sup>3</sup> Excluding trade cancellations and rebills.

<sup>4</sup> Excluding trade cancellations and rebills.

7. While the pattern began in June 2019, the fraudulent activity increased significantly after First Standard's Chief Operating Officer left the firm on September 19, 2019. During that time period, Sparacino generated \$453,231 in commissions and fees by executing more than 300 trades.<sup>5</sup>

8. As described in the examples below, Sparacino was able to accomplish this volume of trading and commission generation by means of fraud, including engaging in unauthorized trading, using margin without authorization, misrepresenting the amount of commissions to customers, and excessive trading.

### **Customer PB**

9. In or about August 2019, Customer PB received a phone call from Sparacino who advised her that he was taking over PB's account because the previous broker had left the firm. Sparacino informed PB that the portfolio was not performing well, and he would take a look at it. While PB never authorized Sparacino to execute any trades, following their conversation, PB received another phone call from Sparacino informing her that he had sold the stocks in her account and purchased new ones with the proceeds.

10. Sparacino did not disclose the amount of commissions that would be charged for the trades. Upon receipt of the trade confirmations, PB discovered she was being charged commissions of approximately 4.5%. PB called Sparacino to complain about the commissions. Sparacino claimed that it was customary to charge up to 50%, half the transaction cost, for commissions. Sparacino told PB that he would nonetheless refund her the commissions. To date, PB has not received any refund from Sparacino or First Standard.

11. Additionally, Sparacino has been repeatedly calling PB and engaging in high-

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<sup>5</sup> Excluding trade cancellations and rebills.

pressure sales tactics. In one instance, Sparacino told PB that he had inside information about a company in negotiations with the Chinese government. Sparacino claimed they had to act swiftly and purchase its shares. However, a few days after buying shares in the company, Sparacino sold them again without an explanation.

12. In another instance, Sparacino told PB that due to recent volatility in United States politics, they should liquidate all of her assets, which she refused to do. Due to her concerns about Sparacino's unauthorized trading, PB emailed Sparacino in late September 2019 clarifying that he was not authorized to engage in any trading in the account without her authorization.

13. Nevertheless, on October 4, 2019, PB received notification of a margin call on her account for \$240. PB states that she never authorized Sparacino to trade on margin and did not understand what trading on margin meant. Sparacino was trading on margin in her account without her knowledge or express authorization.

14. On August 5, 2019, immediately prior to Sparacino recommending and executing the first transaction for PB, the total value of securities in the account of PB was approximately \$34,872. From August 5, 2019 to September 25, 2019, Sparacino's trading activity generated at least \$8,565 in commissions and fees – almost 25 percent of the \$34,872 account value - from his unauthorized activity.

#### **Customer CL**

15. In or about August 2019, the agent assigned to Customer CL's account at First Standard called CL to inform him that the agent was in the process of moving to another broker-dealer. The agent requested CL to move his accounts with the agent.

16. Within several minutes, CL received a phone call from Sparacino who stated that he had inherited CL's account at First Standard and was now in charge of the trading in the account.

CL told Sparacino not to engage in any trading because he did not want to pay any commissions, and explained that he intended to transfer the account to another institution (not the one with the prior agent).

17. On August 26, 2019, CL's account was transferred out of First Standard to the other financial institution. However, several days later CL received a trade confirmation for the First Standard account showing commission and fee charges of approximately \$3,000.

18. Without CL's knowledge, and despite his instructions to the contrary, Sparacino had sold CL's two stocks and subsequently purchased another stock using the sale proceeds.

19. CL subsequently had a conversation with Sparacino and Michael Leahy (CRD No. 1899498), the Chief Compliance Officer, demanding that they reverse the commissions and fees charged for the unauthorized trades. CL was told that nothing could be done since the account had moved to another institution. CL continued his attempts at getting a refund for the unauthorized charges, and First Standard agreed to refund the commissions via a sweep into his account at the new institution.

### **Customer RC**

20. In or about September 2019, Customer RC received a phone call from Sparacino who advised him that his previous agent had left First Standard and that Sparacino would be managing his account. Sparacino then told RC that he wanted to "buy and sell a few shares" which RC explicitly rejected. Sparacino also asked for RC's authorization to trade on margin, which RC also unmistakably refused.

21. Ignoring RC's instruction to the contrary, Sparacino started aggressively trading RC's account on margin. Sparacino's unauthorized trading resulted in a margin deficit on RC's account and commission charges totaling over \$34,000 within a few weeks.

22. When RC contacted Sparacino, Sparacino claimed that the commissions were charged as a mistake, and that any charges would be reversed. To date, however, RC is not aware whether he has received a refund.

23. On September 18, 2019, immediately prior to Sparacino recommending and executing the first transaction for RC, the total value of securities in the account of RC was approximately \$265,090. From September 20, 2019 to September 26, 2019, Sparacino's trading activity generated at least \$66,418 in commissions and fees – almost a quarter of the \$265,090 account value.

#### **Customer ME**

24. In September 2019, Customer ME received a phone call from Sparacino who advised him that his previous broker was terminated due to low performance. Sparacino recommended purchasing CyberArk Software Ltd. ("CYBR") and holding it for about two weeks. ME agreed to the purchase of CYBR and on September 20, 2019 Sparacino purchased approximately \$149,000 of CYBR in ME's account and charged \$6,219 in commissions.

25. However, on September 23, 2019, ME received another phone call from Sparacino, who recommended ME sell the CYBR shares and purchase another stock. ME refused to sell. On the next day, September 24, 2019, Sparacino called again recommending ME sell the CYBR shares and purchase another stock. Again, ME instructed Sparacino not to sell the shares. Nevertheless, on September 26, 2019, Sparacino sold the shares without authorization and again charged \$6,687 in commissions.

26. On September 18, 2019, immediately prior to Sparacino recommending and executing the first transaction for ME, the total value of securities in the account of ME was approximately \$160,327. From September 20, 2019 to September 26, 2019, Sparacino's trading

activity generated at least \$13,538 in commissions and fees.

**Customer DD**

27. In September 2019, Customer DD received a phone call from Sparacino who stated that DD's previous broker had left the firm and that Sparacino would now be handling the account. Sparacino promised that he would not be charging any commissions on trades that DD authorized him to enter. Despite his previous representation that there would be "no commissions" charged, Sparacino charged DD approximately \$7,000 (4.4%) in commissions and fees.

28. Further, within a few days, Sparacino entered several transactions to buy and sell shares without any authorization from DD, and without his knowledge. Sparacino charged DD additional commissions and fees of approximately \$6,000 related to these transactions. DD reached out to complain about the unauthorized trades and commissions. DD was told that his money would be returned, and was asked to sign a release statement that characterized the incident as a misunderstanding.

29. On September 18, 2019, immediately prior to Sparacino recommending and executing the first transaction for DD, the total value of securities in the account of DD was approximately \$81,007. From September 20, 2019 to September 23, 2019, Sparacino's trading activity generated at least \$14,091 in commissions and fees.

**Customer VH**

30. On September 19, 2019, Customer VH's husband received a phone call from Sparacino who told him that the broker on his wife's Individual Retirement Account had left the firm. Sparacino recommended that three positions in the account be sold and that CYBR be purchased. VH's husband authorized both the sales and the purchase.

31. On September 25, 2019, Sparacino called VH's husband and stated that First



Standard was going out of business and he would sell the CYBR shares and send the proceeds in a check. Neither VH, nor her husband, authorized the sale of the shares or the disbursement of funds.

32. Nevertheless, Sparacino sold the CYBR shares. On or about October 2, 2019, upon notification of the sale, VH's husband contacted First Standard and explained the above to the Chief Compliance Officer. The Chief Compliance Officer advised VH's husband that he would reverse the commission charges. To date, neither VH, nor VH's husband, has been notified if the account has been credited the commission charges.

33. On September 18, 2019, immediately prior to Sparacino recommending and executing the first transaction for VH, the total value of securities in the account of VH was approximately \$48,303. From September 19, 2019 to September 25, 2019, Sparacino's trading activity generated at least \$4,163 in commissions and fees.

#### **Customer MM**

34. In mid-August 2019, Customer MM received a phone call from Sparacino who stated that MM's previous broker had left the firm and that Sparacino would now be handling the account. According to Sparacino, the account was underperforming. Sparacino touted his own stock-picking abilities. Sparacino recommended selling the stock's in MM's account and purchasing new stocks. MM agreed. On August 20, 2019, Sparacino sold the four stock positions in the account, totaling approximately \$300,000. MM was charged \$500 in total commissions for the sales. On August 22, 2019, Sparacino purchased three new positions, including Harsco Corporation ("HSC"), for MM with the funds, charging him approximately \$12,700 in commissions. MM complained to Sparacino and First Standard about the high commissions charged. Sparacino and First Standard assured MM that the commissions would be less in the

future.

35. On September 13, 2019, Sparacino contacted MM and recommended selling the three stock positions in the account, including HSC. MM agreed and Sparacino executed the transactions, charging \$1,500 total in commissions. On September 19, 2019, Sparacino used the proceeds from the sales to purchase CYBR stock for approximately \$292,000, charging \$8,499 in commissions. A few days later, Sparacino recommended that MM sell that stock position and repurchase HSC. Again, MM agreed. Sparacino charged MM commissions of \$125 to sell the stock position, but charged him \$7,828 to repurchase HSC. The very next day, Sparacino contacted MM and informed him that First Standard may be closing and that he needed to sell his position in HSC. As a result, Sparacino charged MM another \$7,962 to sell the HSC stock.

36. On August 19, 2019, immediately prior to Sparacino recommending and executing the first transaction for MM, the total value of securities in the account of MM was approximately \$309,399. From August 20, 2019 to September 25, 2019, Sparacino's trading activity generated at least \$39,233 in commissions and fees.

#### **Sparacino Had No Reasonable Basis for the Trading Strategy**

37. Both the regulations promulgated pursuant to the Securities Law and the Financial Industry Regulatory Authority ("FINRA") rules require that financial advisors have a reasonable basis when recommending to a customer a security or an investment strategy. Despite these rules and regulations, Sparacino recommended securities to Customers PB, RC, ME, DD, and MM ("Sparacino Customers") as part of an active trading strategy without having a reasonable basis for believing that this strategy, and many of the accompanying securities, were suitable.

38. N.J.A.C. 13:47A-6.3(a)(3) states that it is a dishonest or unethical practice to recommend "to a customer an investment strategy, or the purchase, sale, or exchange of any

security or securities without reasonable grounds to believe that such strategy, transaction, or recommendation is suitable for the customer based upon reasonable inquiry concerning the customer's investment objectives, financial situation, and needs, and any other relevant information known by the broker-dealer." FINRA Rule 2111 states that each "member or associated person must have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the member or associated person to ascertain the customer's investment profile."

39. Instead of recommending a suitable investment strategy, or suitable securities, for the Sparacino Customers, Sparacino's active trading strategy was designed to maximize commissions for himself, without regard to its suitability for his customers.

40. First, Sparacino executed short-term trades for the Sparacino Customers in commission-based accounts, meaning they paid Sparacino commissions on trades (both purchase and sale) that he executed on their behalf. This strategy reduced the potential gains of any profitable trades, and exacerbated the losses on unprofitable trades. The exorbitant transaction costs and fees incurred from the active trading strategy far exceeded any benefit from that trading to the investors.

41. Second, Sparacino recommended and executed short-term trades involving securities that he recommended be held for longer periods of time.

42. The unsuitability of Sparacino's trading strategy is confirmed by a quantitative analysis of the investors' accounts. Although there is no single test that defines excessive trading, factors such as turnover rate and cost-to-equity ratio provide a basis for a finding of excessive trading.

43. The turnover rate measures how often the securities in an investor's portfolio are traded in a year. Turnover rate is calculated by dividing the total security purchases by the average month-end equity balance in an account, and then annualizing the result. Turnover rates of six or more presumptively indicate excessive trading. Turnover rates of less than six may also be excessive in cases where the level of activity is unsuitable for the investor. The turnover rates of the Sparacino Customers, if annualized, would all exceed six by multiples, demonstrating that Sparacino's recommended trading strategy was unsuitable.

44. The cost-to-equity ratio is determined by first calculating the sum of the commissions, costs, and other fees in an investor's account, and then dividing the sum by the average equity on an annualized basis. In other words, it represents the percentage of investment returns needed to pay the costs and commissions of the brokerage firm and its agent before an investor can even begin to make a profit on their investments. The cost-to-equity ratios for the Sparacino Customers, even in the very short period he was the agent on the accounts, ranged from approximately 10% to 25%, demonstrating that Sparacino's recommended trading strategy was unsuitable.

### **CONCLUSIONS OF LAW**

#### **SPARACINO EMPLOYED A DEVICE, SCHEME, OR ARTIFICE TO DEFRAUD**

##### **N.J.S.A. 49:3-52(a)**

45. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

46. Pursuant to N.J.S.A. 49:3-52:

It shall be unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly

(a) To employ any device, scheme, or artifice to defraud....

47. Sparacino employed a device, scheme, or artifice to defraud by engaging in a pattern of excessive and/or unauthorized trading activity in the accounts of several customers, in violation of N.J.S.A. 49:3-52(a).

48. Sparacino employed a device, scheme, or artifice to defraud by selling customer securities without the customers' authorization, and enriched himself in the process by charging excessive commissions to those customers for those transactions, in violation of N.J.S.A. 49:3-52(a).

49. Each violation of N.J.S.A. 49:3-52(a) upon each person is a separate violation and cause for the imposition of civil monetary penalties pursuant to N.J.S.A. 49:3-70.1.

**SPARACINO MADE UNTRUE STATEMENTS AND OMITTED TO STATE  
MATERIAL FACTS NECESSARY IN ORDER TO MAKE THE STATEMENTS MADE,  
IN THE LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY ARE MADE,  
NOT MISLEADING  
N.J.S.A. 49:3-52(b)**

50. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

51. Pursuant to N.J.S.A. 49:3-52:

It shall be unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly

. . . .

(b) To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading. . . .

52. Sparacino made materially false and misleading statements to certain customers by advising customers that they would not be charged commissions or fees for transaction.

53. Sparacino omitted to state material facts to certain customers, including:

a. the amount of commissions to be charged for certain trades;

- b. that margin trading would be executed in the customer's account;  
and
- c. that he would engage in unauthorized trading.

54. Each omission of material fact and each material false or misleading statement is a violation of N.J.S.A. 49:3-52(b).

55. Each violation of N.J.S.A. 49:3-52(b) upon each person is a separate violation and cause for the imposition of civil monetary penalties pursuant to N.J.S.A. 49:3-70.1.

**SPARACINO ENGAGED IN AN ACT, PRACTICE, OR COURSE OF BUSINESS  
WHICH OPERATES OR WOULD OPERATE AS A  
FRAUD OR DECEIT UPON ANY PERSON  
N.J.S.A. 49:3-52(c)**

56. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

57. Pursuant to N.J.S.A. 49:3-52:

It shall be unlawful for any person, in connection with the offer, sale,  
or purchase of any security, directly or indirectly

. . . .

(c) To engage in any act, practice, or course of business which  
operates or would operate as a fraud or deceit upon any person.

58. Sparacino engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit upon certain customers by engaging in excessive and/or unauthorized trading, charging commissions and fees despite his assurances to the contrary, and/or by misrepresenting or omitting the amount of the commissions and fees, in violation of N.J.S.A. 49:3-52(c).

59. Each violation of N.J.S.A. 49:3-52(c) upon each person is a separate violation and cause for the imposition of civil monetary penalties pursuant to N.J.S.A. 49:3-70.1

**SPARACINO ENGAGED IN DISHONEST OR UNETHICAL BUSINESS PRACTICES  
IN THE SECURITIES BUSINESS  
N.J.S.A. 49:3-58(a)(1)**

N.J.S.A. 49:3-58(a)(2)(vii)  
N.J.A.C. 13:47A-6.3(a)(3)

60. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

61. Pursuant to N.J.S.A. 49:3-58(a):

The bureau chief may by order deny, suspend, or revoke any registration if he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant . . .

. . . .

(vii) has engaged in dishonest or unethical practices in the securities . . . business, as may be defined by rule of the bureau chief.

62. Pursuant to N.J.A.C. 13:47A-6.3(a):

“Dishonest or unethical practices” as used in N.J.S.A. 49:3-47 et seq. . . . shall include the following:

. . . .

(3) Recommending to a customer an investment strategy, or the purchase, sale, or exchange of any security or securities without reasonable grounds to believe that such strategy, transaction, or recommendation is suitable for the customer based upon reasonable inquiry concerning the customer's investment objectives, financial situation, and needs, and any other relevant information known by the broker-dealer.

63. As demonstrated above, Sparacino engaged in dishonest or unethical practices in the securities business by recommending to a customer an investment strategy, or the purchase, sale, or exchange of any security or securities without reasonable grounds to believe that such strategy, transaction, or recommendation was suitable for the customers.

64. This is cause, pursuant to N.J.S.A. 49:3-58(a)(2)(vii), to revoke Sparacino’s agent registration.

65. Based upon the foregoing, and pursuant to N.J.S.A. 49:3-58(a)(1), the revocation of Sparacino's agent registration and denial of certain exemptions are in the public interest.

**SPARACINO ENGAGED IN DISHONEST OR UNETHICAL BUSINESS PRACTICES  
IN THE SECURITIES BUSINESS**

N.J.S.A. 49:3-58(a)(1)  
N.J.S.A. 49:3-58(a)(2)(vii)  
N.J.A.C. 13:47A-6.3(a)(4)

66. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

67. Pursuant to N.J.S.A. 49:3-58(a):

The bureau chief may by order deny, suspend, or revoke any registration if he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant . . .

. . . .

(vii) has engaged in dishonest or unethical practices in the securities . . . business, as may be defined by rule of the bureau chief.

68. Pursuant to N.J.A.C. 13:47A-6.3(a):

"Dishonest or unethical practices" as used in N.J.S.A. 49:3-47 et seq . . . shall include the following:

. . .

(4) Placing an order or executing a transaction on behalf of a customer without prior authorization to do so.

69. In numerous instances as demonstrated above, Sparacino engaged in dishonest or unethical practices in the securities business by placing orders or executing transactions on behalf of customers without prior authorization to do so.

70. This is cause, pursuant to N.J.S.A. 49:3-58(a)(2)(vii), to revoke Sparacino's agent registration.

71. Based upon the foregoing, and pursuant to N.J.S.A. 49:3-58(a)(1), the revocation of Sparacino's agent registration and denial of certain exemptions are in the public interest.



**SPARACINO ENGAGED IN DISHONEST OR UNETHICAL BUSINESS PRACTICES  
IN THE SECURITIES BUSINESS**

N.J.S.A. 49:3-58(a)(1)  
N.J.S.A. 49:3-58(a)(2)(vii)  
N.J.A.C. 13:47A-6.3(a)(11)

72. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

73. Pursuant to N.J.S.A. 49:3-58(a):

The bureau chief may by order deny, suspend, or revoke any registration if he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant . . .

. . . .

(vii) has engaged in dishonest or unethical practices in the securities . . . business, as may be defined by rule of the bureau chief.

74. Pursuant to N.J.A.C. 13:47A-6.3(a):

“Dishonest or unethical practices” as used in N.J.S.A. 49:3-47 et seq . . . shall include the following:

. . . .

(11) Charging fees for services without prior notification to a customer as to the nature and amount of the fees.

75. As demonstrated above, Sparacino engaged in dishonest or unethical practices in the securities business by charging commissions and fees for services without prior notification to the customers as to the nature and amount of these commissions and fees.

76. This is cause, pursuant to N.J.S.A. 49:3-58(a)(2)(vii), to revoke Sparacino’s agent registration.

77. Based upon the foregoing, and pursuant to N.J.S.A. 49:3-58(a)(1), the revocation of Sparacino’s agent registration and denial of certain exemptions are in the public interest.

**SPARACINO ENGAGED IN DISHONEST OR UNETHICAL BUSINESS PRACTICES  
IN THE SECURITIES BUSINESS**

N.J.S.A. 49:3-58(a)(1)

N.J.S.A. 49:3-58(a)(2)(vii)

N.J.A.C. 13:47A-6.3(a)(12)

78. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

79. Pursuant to N.J.S.A. 49:3-58(a):

The bureau chief may by order deny, suspend, or revoke any registration if he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant

.....

(vii) has engaged in dishonest or unethical practices in the securities . . . business, as may be defined by rule of the bureau chief.

80. Pursuant to N.J.A.C. 13:47A-6.3(a):

“Dishonest or unethical practices” as used in N.J.S.A. 49:3-47 et seq. . . shall include the following:

.....

(12) Charging unreasonable and inequitable fees for services performed, including miscellaneous services such as collection of monies due for principal, dividends or interest, exchange or transfer of securities, appraisals, safekeeping, or custody of securities and other services related to its securities business.

81. As discussed above, Sparacino engaged in dishonest or unethical practices in the securities business by charging unreasonable and inequitable fees to the customers for services he performed, including exorbitant commissions and fees of service.

82. This is cause, pursuant to N.J.S.A. 49:3-58(a)(2)(vii), to revoke Sparacino’s agent registration.

83. Based upon the foregoing, and pursuant to N.J.S.A. 49:3-58(a)(1), the revocation of Sparacino’s agent registration and denial of certain exemptions are in the public interest.

**SPARACINO ENGAGED IN DISHONEST OR UNETHICAL BUSINESS  
PRACTICES IN THE SECURITIES BUSINESS**

N.J.S.A. 49:3-58(a)(1)  
N.J.S.A. 49:3-58(a)(2)(vii)  
N.J.A.C. 13:47A-6.3(a)(31)

84. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

85. Pursuant to N.J.S.A. 49:3-58(a):

The bureau chief may by order deny, suspend, or revoke any registration if he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant

. . . .

(vii) has engaged in dishonest or unethical practices in the securities . . . business, as may be defined by rule of the bureau chief.

86. Pursuant to N.J.A.C. 13:47A-6.3(a):

“Dishonest or unethical practices” as used in N.J.S.A. 49:3-47 et seq . . . shall include the following:

. . . .

(31) Making any misrepresentation or omission of a material fact or otherwise employing any form of concealment or deception in connection with the offer, sale, purchase or negotiation of any securities, commodity futures, banking or insurance contract, instrument or transaction.

87. As detailed above, Sparacino engaged in dishonest or unethical practices in the securities business by making numerous misrepresentations or omissions of material facts, and by employing various forms of concealment and deception in connection with the offer, sale and purchase of securities.

88. This is cause, pursuant to N.J.S.A. 49:3-58(a)(2)(vii), to revoke Sparacino’s agent registration.

89. Based upon the foregoing, and pursuant to N.J.S.A. 49:3-58(a)(1), the revocation of Sparacino’s agent registration and denial of certain exemptions are in the public interest.

**SPARACINO ENGAGED IN DISHONEST OR UNETHICAL BUSINESS  
PRACTICES IN THE SECURITIES BUSINESS**

N.J.S.A. 49:3-58(a)(1)  
N.J.S.A. 49:3-58(a)(2)(vii)  
N.J.A.C. 13:47A-6.3(a)(32)

90. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

91. Pursuant to N.J.S.A. 49:3-58(a):

The bureau chief may by order deny, suspend, or revoke any registration if he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant . . .

. . . .

(vii) has engaged in dishonest or unethical practices in the securities . . . business, as may be defined by rule of the bureau chief.

92. Pursuant to N.J.A.C. 13:47A-6.3(a):

“Dishonest or unethical practices” as used in N.J.S.A. 49:3-47 et seq . . . shall include the following:

. . . .

(32) Engaging in any material misrepresentation or omission or engaging in deceitful, deceptive or fraudulent conduct involving any aspect of the securities, banking, insurance, investment advisory or commodities futures industries or engaging in any conduct described above which, at the time, is prohibited by the statutes or rules governing the above industries in the jurisdiction where the conduct occurred.

93. As described above, Sparacino engaged in dishonest or unethical practices in the securities business by engaging in numerous material misrepresentations, omissions, and conduct that is deceitful, deceptive, or fraudulent, which involve various aspects of the securities industry.


94. This is cause, pursuant to N.J.S.A. 49:3-58(a)(2)(vii), to revoke Sparacino’s agent registration.

95. Based upon the foregoing, and pursuant to N.J.S.A. 49:3-58(a)(1), the revocation of Sparacino’s agent registration and denial of certain exemptions are in the public interest.

## CONCLUSION

For the reasons stated above, it is on this 8<sup>th</sup> day of October 2019 **ORDERED** that:

1. The agent registration of Sparacino is **REVOKED**;
2. Sparacino is assessed and liable to pay civil monetary penalties in the amount of \$250,000, pursuant to N.J.S.A. 49:3-70.1, for violations of the Securities Law described in this Order, which is immediately due and payable to the "State of New Jersey, Bureau of Securities." Payment of civil monetary penalties shall be made by certified check, bank check, or an attorney trust account check, and delivered to the Bureau at 153 Halsey Street, 6th Floor, Newark, NJ 07102, to the attention of the Bureau Chief. The civil monetary penalty payments shall be deposited in the Securities Enforcement Fund, pursuant to N.J.S.A. 49:3-66.1.
3. All exemptions contained in N.J.S.A. 49:3-50 subsection (a) paragraph 9, 10, and 11 and subsection (b) are hereby **DENIED** as to Sparacino.
4. 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) are hereby **DENIED** as to Sparacino.

  
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Christopher W. Gerold  
Chief, New Jersey Bureau of Securities

### **NOTICE OF RIGHT TO HEARING**

Pursuant to the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -83 (“Securities Law”) specifically, N.J.S.A. 49:3-58(c), the bureau chief shall entertain on no less than three days’ notice, a written application to lift the summary revocation on written application of the applicant or registrant and in connection therewith may, but need not, hold a hearing and hear testimony, but shall provide to the applicant or registrant a written statement of the reasons for the summary revocation.

This matter will be set down for a hearing if a written request for such a hearing is filed with the Bureau within 20 days after the respondent receives this Order. A request for a hearing must be accompanied by a written response, which addresses specifically each of the allegations set forth in the Order. A general denial is unacceptable. At any hearing involving this matter, an individual respondent may appear on his/her own behalf or be represented by an attorney.

Orders issued pursuant to this subsection to suspend or revoke any registration shall be subject to an application to vacate upon 10 days’ notice, and a preliminary hearing on the order to suspend or revoke any registration shall be held in any event within 20 days after it is requested, and the filing of a motion to vacate the order shall toll the time for filing an answer and written request for a hearing.

If no hearing is requested, the Order shall become a Final Order and will remain in effect until modified or vacated. If a hearing is held, the Bureau Chief shall affirm, vacate, or modify the order in accord with the findings made at the hearing.

**NOTICE OF OTHER ENFORCEMENT REMEDIES**

You are advised that the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -83, provides several enforcement remedies, which are available to be exercised by the Bureau Chief, either alone or in combination. These remedies include, in addition to this action, the right to seek and obtain injunctive and ancillary relief in a civil enforcement action, N.J.S.A. 49:3-69, and the right to seek and obtain civil penalties in an administrative or civil action, N.J.S.A. 49:3-70.1.

You are further advised that the entry of a final order does not preclude the Bureau Chief from seeking and obtaining other enforcement remedies against you in connection with the claims made against you in this action.