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Office of the Commissioner of Securities and
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**BEFORE THE COMMISSIONER OF SECURITIES AND INSURANCE
MONTANA STATE AUDITOR**

IN THE MATTER OF:

JOSEPH STONE CAPITAL, LLC,
a Montana licensed broker-dealer;
LAWRENCE SULLIVAN, individually
and in his capacity as a Joseph Stone
Capital employee; JAMES PARDY,
individually and in his capacity as the chief
compliance officer for Joseph Stone
Capital; ADAM MAGGIO, individually
and in his capacity as a Joseph Stone
Capital employee; DAVID MENASHE,
individually and in his capacity as a Joseph
Stone Capital employee; ROSS BARISH,
individually and in his capacity as a Joseph
Stone Capital employee; and FRANK
SPADARO, individually and in his
capacity as a Joseph Stone Capital
employee.

Respondents.

CASE NO. SEC-2016-124

**NOTICE OF PROPOSED
AGENCY ACTION AND
OPPORTUNITY FOR HEARING**

Staff of the Office of the Commissioner of Securities and Insurance, Montana State Auditor (CSI), pursuant to the authority of the Securities Act of Montana, Mont. Code Ann. § 30-10-101 et seq. (the Act), is proposing to the Commissioner of Securities and Insurance, Montana State Auditor (Commissioner), that she take specific action against Joseph Stone Capital, LLC; Lawrence Sullivan; James Pardy; Adam Maggio; David Menashe; Ross Barish;

and Frank Spadaro (collectively Respondents) for violations of the Act. The Commissioner has authority to take such action under the provisions of §§ 30-10-102, 30-10-107, 30-10-201, 30-10-301, 30-10-304, 30-10-305, and 30-10-309. Service of process is pursuant to § 30-10-107(8).

In particular, the CSI recommends specific action against Respondents including, but not limited to, the imposition of appropriate fines, restitution, and licensure suspension or revocation pursuant to the provisions of the Act.

REASONS FOR ACTION

The following facts, if true, justify and support such specific action.

ALLEGATIONS OF FACT

1. Respondent Joseph Stone Capital, LLC (Joseph Stone), is a CSI registered broker-dealer, Central Registration Depository (CRD) #159744.
2. Respondent Lawrence Sullivan (Sullivan) is not now nor has he ever been registered with the CSI as a broker/dealer representative. He was employed as a Joseph Stone salesperson during the relevant time period.
3. Respondent David Menashe (Menashe) is a CSI registered broker/dealer representative, CRD # 5727269. He was employed as a Joseph Stone salesperson during the relevant time period.
4. Respondent Ross Barish (Barish) is a CSI registered broker/dealer representative, CRD # 3094364. He was employed as a Joseph Stone salesperson during the relevant time period.
5. Respondent Frank Spadaro (Spadaro) is a CSI registered broker/dealer representative, CRD # 4617772. He was employed as a Joseph Stone salesperson during the relevant time period.

6. Respondent James Pardy (Pardy) was the chief compliance officer and the registered options principal (ROSFP) at all times relevant to this action. He is not registered with the CSI in any capacity. His CRD number is 2900751,

7. Respondent Adam Maggio (Maggio) is a CSI registered broker/dealer representative, CRD # 4177365. He was employed at Joseph Stone and worked on M.B's account during the relevant period.

8. On or about January 15, 2016, the CSI received a cold call from Sullivan. The call was transferred from the CSI switchboard to CSI Assistant Analyst Patrick Navarro. Navarro had no prior knowledge of Sullivan. Sullivan pitched an investment about PayPal to Navarro. Navarro informed him that he was speaking to the CSI and that the CSI regulates the offer and sale of securities in Montana. At that point Sullivan denied he was attempting to solicit investment in a security by Navarro; said, "Happy new year," to Navarro; and hung up.

9. As a result of this cold call, the CSI requested information from Joseph Stone on the same day, January 15, 2016. Included in that request were:

- a) a complete list of all Joseph Stone's Montana clients;
- b) copies of all new client form statements and amendments for the clients identified in item (a) above;
- c) copies of all monthly statements for the clients identified in item (a) above for the period January 1, 2013, to the present;
- d) a copy of Joseph Stone's supervisory and policy procedures manual;
- e) copies of all recordings in Joseph Stone's possession involving conversations with the clients for the accounts identified in item (a) above;
- f) the name and CRD number of Sullivan's direct supervisor;
- g) copies of all compliance memorandums, e-mail or other internal correspondence generated regarding Sullivan; and