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2 **STATE OF OREGON**
3 **DEPARTMENT OF CONSUMER AND BUSINESS SERVICES**
4 **DIVISION OF FINANCE AND CORPORATE SECURITIES**
5 **SECURITIES SECTION**

6 **BEFORE THE DIRECTOR OF THE DEPARTMENT**
7 **OF CONSUMER AND BUSINESS SERVICES**

8 **In the Matter of**

S-04-0011

9 **HENRY PAUL REGAN, Jr.,**

**FINAL ORDER TO CEASE AND
DESIST AND ASSESSING CIVIL
PENALTIES ENTERED BY
DEFAULT**

10 **Respondent.**

11 On April 8, 2005, the Director of the Department of Consumer and Business
12 Services for the State of Oregon ("the Director"), acting by and pursuant to the
13 authority of the Oregon Securities Law, Oregon Revised Statutes ("ORS") Chapter
14 59, and other applicable authority, issued Administrative Order No. S-04-0011 to
15 CEASE AND DESIST, DENYING EXEMPTIONS, ASSESSING CIVIL PENALTIES
16 AND NOTICE OF RIGHT TO ADMINISTRATIVE HEARING ("the Proposed Order")
17 against Respondent HENRY PAUL REGAN, JR. ("the Respondent").

18 On or about April 14, 2005, the Proposed Order was mailed to the Respondent
19 at his last known address of The Avalon, 201 50th Avenue, Long Island City, New
20 York 11101.

21 The Respondent has not made a written request for a contested case hearing
22 in this matter and the time to do so has now expired.

23 **NOW THEREFORE**, after consideration of the Investigation Report and
24 accompanying exhibits submitted in this matter by Robert L. Brunner, Investigator for
25 the Division of Finance and Corporate Securities, the Director hereby issues the
26 following Findings of Fact, Conclusions of Law and Final Order.



FINDINGS OF FACT

The Director **FINDS** that:

1. The Respondent is an individual whose last known address was The Avalon, 201 50th Avenue, Long Island City, New York 11101. The Respondent's registration number with the Central Registration Depository ("CRD") of the National Association of Securities Dealers, Inc. ("NASD") is 2821364.

2. Bernard Lee & Edwards Securities, Inc. ("BLE") was a registered broker-dealer that maintained offices at 1016 Shore Acres Drive; Leesburg, Florida 34748 and in New York. The company's CRD registration number is 24050. The company ceased doing business in May 2002. The firm's president was Thomas Edward LaRossa; whose last known address is 105 King George Drive #18, Boxford, Massachusetts 01921. His CRD number is 302701. The firm's vice-president was Michael Bernard McLaughlin, Sr., who's last known address is 1016 Shore Acres Drive, Leesburg, Florida 34748. His CRD number is 1924899.

3. Michael Bruce Aspler ("Aspler") was manager of BLE's New York offices during the times relevant herein. His last known address is 20 Emerald Lane, Huntington Station, New York 11746. His CRD number is 2861232.

4. From August 2000 to about March 28, 2001, the Respondent worked as a registered representative of BLE in their New York offices. It was while employed as an account representative for BLE that the Respondent had access to the account of George B. Walker ("Walker").

5. At all times relevant to this matter, Walker was an Oregon resident, residing at 5013 Williams Highway; Grants Pass, Oregon 97527-7703, who was suffering from the early stages of dementia. While Walker was not formally diagnosed with the disease until August 16, 2001, he exhibited symptoms beginning in the mid-1990's. His response was to write notes to himself. These notes were to remind him



1 what mundane task he had set off to accomplish. The notes became a way of life.
2 Walker took instructions with him wherever he went to remind himself about what he
3 needed or wanted to do. Within a relatively short amount of time, Walker's long-term
4 memory suffered. He began to forget people and places he had known for forty
5 years. At that point, the note writing was less effective because he would forget to
6 read them. During the last years of her life, Walker's wife, Mary Jane Walker, was her
7 husband's primary caregiver because he could not care for himself. When his wife
8 died in May 2000, Walker's support structure was gone.

9 6. Living alone, with dementia closing off his mind, Walker became
10 isolated and vulnerable to suggestion. Walker became "financially incapable,"
11 meaning that he could not manage his own finances with his best interests in mind.
12 He was like a child—wholly dependent on others to make decisions in his best
13 interest. Moreover, he did not fully appreciate that someone might want to take
14 advantage of him. This is the background for Walker's relationship with the
15 Respondent and BLE.

16 7. On September 13, 2000, the Respondent got Walker to sign a new
17 account application with BLE and used it to open an account with BLE's clearing
18 broker, JB Oxford & Company ("JB Oxford"), with an opening balance of \$4,315.
19 Portions of the application are written in Walker's own hand but the Respondent
20 forged others. This is evidenced by the handwriting, the errors on the form, and the
21 fact that alterations were made to the original application. Walker's annual income
22 was first written as \$25,000 but that figure was crossed out and the figure \$80,000
23 was inserted. There were other changes and errors in the form as well.

24 8. On October 11, 2000, the Respondent, in his own hand entirely, filled
25 out another new account application, this time for a joint account to be held by
26 Walker and the deceased Mrs. Walker. This time, without cross-outs and clearly



1 legible in the Respondent's handwriting, Walker's stated investment objectives are
2 speculation and growth. The Respondent falsely stated Walker's annual income to
3 more than \$100,000, and falsely increased Walker's net worth to \$2 million. The
4 Walkers are identified as married and there is no indication that Mrs. Walker is, in
5 fact, dead. Walker signed the new joint account application and Mrs. Walker's
6 signature was forged. JB Oxford received this document on October 13, 2000. JB
7 Oxford never questioned why it was materially different from the first application. The
8 Respondent then transferred \$248,000 from Walker's Charles Schwab account to JB
9 Oxford. Beginning on October 16, 2000, JB Oxford began trading out of this account,
10 despite the obvious forgery of the joint account application.

11 9. The Respondent put all of Walker's money into one high tech stock,
12 then entirely in another and then margined the account before selling off everything.
13 In three short months, from October to December 2000, Walker lost \$150,000 and
14 the Respondent and BLE earned commissions of approximately \$25,000. In addition,
15 the Respondent put Walker on margin so that Walker incurred margin interest,
16 without an executed margin agreement with BLE.

17 10. By January 11, 2001, only \$91,758.81 remained of Walker's life
18 savings. On January 17, 2001, that amount was wired to Walker's Bank of America
19 account in Grants Pass. On January 18, 2001, \$86,000 was transferred from
20 Walker's Bank of America account directly to a Chase Manhattan account upon
21 instructions from the Respondent. On February 22, 2001, \$44,000 was wired from
22 Walker's account to the Respondent. The Respondent apparently had convinced
23 Walker that he was his nephew in order to steal this money. On April 19, 2001, the
24 Respondent obtained the last \$7,300 stolen from Walker's account.

25 11. It is alleged that because of his dementia, these transfers were made
26 without the full knowledge and consent of Walker.

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1 12. In May 2001, the Respondent was stopped when he attempted to take
2 another \$3,000 out of Walker's account. A Bank of America employee questioned
3 Walker about a transfer he was attempting to make to the Respondent. When the
4 bank refused to make the transfer, the Respondent called the bank and threatened
5 the employee when she again refused. The bank contacted an attorney and a
6 temporary conservator was appointed. Only then was the scope of the fraud and theft
7 revealed.

8 13. In total, Walker sustained losses of \$298,000. Approximately \$156,000
9 of losses occurred through trades. The Respondent stole the remainder.

10 14. There were times when Walker realized that the Respondent was
11 exploiting him. Walker knew that the Respondent had received his money, but
12 Walker could not explain why he gave money to the Respondent. Walker informed
13 State of Oregon Senior Services Investigator Phil Newton ("Newton") that he wanted
14 the Respondent to return his money and in one reminder note which he kept for
15 himself, Walker wrote by the Respondent's name and telephone number "this guy is
16 a crook."

17 15. The Respondent claimed to Newton that he and Walker were involved
18 in a business deal, although he refused to explain the nature of this deal and refused
19 to cooperate with Newton's investigation. The Respondent refused to provide
20 adequate explanations for the appropriation and use of Walker's money. The
21 Respondent attempted to remain in control of Walker until Newton changed Walker's
22 telephone number and a guardian was appointed.

23 16. The Respondent was supposed to be supervised at BLE by Aspler,
24 however, the New York office of BLE was a shell operated by the Respondent.
25 Contrary to BLE policy, the Respondent had discretionary control over Walker's
26 account. BLE failed to adequately supervise the Respondent.



1 **CONCLUSIONS OF LAW**

2 The Director **CONCLUDES** that:

3 1. Respondent Henry Paul Regan, Jr. ("the Respondent"), while
4 conducting a securities business, employed a device, scheme or artifice to defraud in
5 violation of ORS 59.135(1);

6 2. The Respondent, while conducting a securities business, engaged in
7 acts which operated as a fraud and deceit on a person in violation of ORS 59.135(3);
8 and

9 3. The Respondent engaged in the purchase and sale of securities that he
10 had no reasonable grounds to believe were suitable for his client George B. Walker in
11 violation of OAR 441-205-0140.

12 **ORDER**

13 **NOW, THEREFORE, THE DIRECTOR ISSUES THE FOLLOWING ORDERS:**

14 1. Pursuant to ORS 59.245, Respondent Henry Paul Regan, Jr. is
15 **ORDERED TO CEASE AND DESIST** from:

16 a. Employing any device, scheme or artifice to defraud in violation
17 of ORS 59.135(1);

18 b. Engaging in any act, practice or course of business which
19 operates or would operate as a fraud or deceit upon any person in violation of ORS
20 59.135(3);

21 c. Engaging in any act, practice or course of business in violation of
22 OAR 441-205-0140; and

23 d. Violating any provision of ORS Chapter 59 or OAR Chapter 441.

24 2. Pursuant to ORS 59.045 (2), Respondent Henry Paul Regan, Jr. is
25 **DENIED** the use of any exemptions that would otherwise be available to him under
26 ORS 59.025 and 59.035, concerning securities and transactions exempt from the

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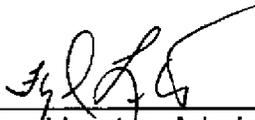
1 registration requirements of the Oregon Securities Law.

2 3. Pursuant to the authority of ORS 59.995, the Director hereby
3 **ASSESSES CIVIL PENALTIES** against Respondent Henry Paul Regan, Jr. in the
4 amount of \$20,000 each for two violations of ORS 59.135 and \$20,000 for one
5 violation of OAR 441-205-0140, for a total civil penalty assessed of \$60,000.

6 **IT IS SO ORDERED.**

7 Dated this 13th day of June, 2005 at Salem, Oregon, NUNC PRO
8 TUNC April 8, 2005.

9 CORY STREISINGER, Director
10 Department of Consumer and Business Services

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12 _____
13 Floyd Lanter, Administrator
14 Division of Finance and Corporate Securities

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