

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF  
CONSUMER AND BUSINESS SERVICES  
DIVISION OF FINANCE AND CORPORATE SECURITIES OF THE  
STATE OF OREGON**

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In the Matter of:	)	<b>No. A-00-0009</b>
<b>KEVIN RUGGIERO and BAXTER, BANKS, AND SMITH, LTD.</b>	)	<b>FINAL ORDER TO CEASE AND DESIST AND ASSESSING CIVIL PENALTIES ENTERED BY DEFAULT AS TO BAXTER, BANKS, AND SMITH, LTD.</b>
Respondents.	)	

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On March 24, 2000 the Director of the Department of Consumer and Business Services for the State of Oregon (hereafter the "Director"), acting by and pursuant to the authority of Oregon Securities Law, Chapter 59 of the Oregon Revised Statutes, and other applicable authority, issued Administrative Order No. A-00-0009 to **CEASE AND DESIST AND ASSESSING CIVIL PENALTIES AND NOTICE OF RIGHT TO CONTESTED CASE HEARING** (hereafter "the Order") against Respondent **BAXTER, BANKS, AND SMITH, LTD.**

On March 27, 2000 Respondent **BAXTER, BANKS, AND SMITH, LTD.** was duly served with a true copy of the Order and Notice by United States Mail, postage prepaid, and addressed to Respondent **BAXTER, BANKS, AND SMITH, LTD.** at the following last known address: 309 Fifth Avenue North, St. Petersburg, Florida 33701. This mailing was not returned.

On March 27, 2000 Respondent **BAXTER, BANKS, AND SMITH, LTD.** was duly served with a true copy of the Order and Notice by certified United States Mail (Item #Z038197257), postage prepaid, and addressed to Respondent **BAXTER, BANKS, AND SMITH, LTD.** at the following last known address: 309 Fifth Avenue North, St. Petersburg, Florida 33701. On March 30, 2000 the United States Post

Division of Finance and Corporate Securities  
Labor and Industries Building  
350 Winter Street NE, Suite 410  
Salem, OR 97310  
Telephone: (503) 378-4387



1 Office delivered this mailing, which was signed for by an employee of Respondent  
2 **BAXTER, BANKS, AND SMITH, LTD.**

3 Respondent **BAXTER, BANKS, AND SMITH, LTD.** has not made a written  
4 request for a contested case hearing in this matter and the time to do so has  
5 expired.

6 **NOW THEREFORE**, after consideration of the Investigation Report and  
7 accompanying exhibits submitted in this matter by Kimball Wallis, Securities  
8 Investigator, the Director hereby issues the following Findings of Fact, Conclusions  
9 of Law, and Final Order:

10 **FINDINGS OF FACT**

11 The Director **FINDS** that:

12  
13 1. Respondent **KEVIN RUGGIERO** (hereafter "Ruggiero") was, at all  
14 times material herein, a broker-dealer salesperson in the employ of Baxter,  
15 Banks, and Smith, Ltd. Ruggiero's CRD number is #2765188. Ruggiero's last  
16 known address is 459 Ridge Road, Apartment 2B, Lyndhurst, New Jersey 07071.

17 2. Respondent **BAXTER, BANKS, AND SMITH LTD** (hereafter  
18 "Baxter") was, at all times material herein, a broker-dealer firm. The firm's CRD  
19 number is #40771. Baxter's last known address is 309 Fifth Avenue North, St.  
20 Petersburg, Florida 33701.

21 3. Flynn Case (hereafter "Case"), an Oregon resident, was a  
22 customer of Ruggiero and Baxter.

23 4. Kenneth Grabner (hereafter "Grabner"), an Oregon resident, was a  
24 customer of Ruggiero and Baxter.

25 5. Maid Aide, Inc (hereafter "Maid Aide"), also known as CFE  
26



1 Enterprises, is, on information and belief, an Arizona corporation.

2 6. Kevin Ruggiero was licensed to sell securities as a broker-dealer  
3 salesperson by the State of Oregon on July 16, 1998. Kevin Ruggiero was not  
4 licensed to sell securities within the State of Oregon prior to July 16, 1998.

5 7. Baxter, Banks, and Smith, Ltd was licensed to sell securities as a  
6 broker-dealer by the State of Oregon on July 15, 1998. Baxter, Banks, and  
7 Smith, Ltd was not licensed to sell securities within the State of Oregon prior to  
8 July 15, 1998.

9 8. Shares in Maid Aide, Inc have never been registered for sale with  
10 the State of Oregon.

### 11 Flynn Case

12  
13 9. Sometime in the month of April, 1998 Ruggiero "cold called" (that  
14 is, contacted with no prior business or personal relationship) Case and  
15 recommended that Case purchase shares in a particular company. Case stated  
16 that he was not interested. Ruggiero advised Case to follow that company's  
17 share price, as it would likely rise dramatically. In fact, that company's shares did  
18 rise significantly in value.

19 10. On June 16, 1998 Ruggiero once again called Case and stated that  
20 he had a "winner" in the same vein as the company he had spoken to Case  
21 about in April. The company was called Maid Aide, and Ruggiero opined that the  
22 company's share price was going to rise dramatically.

23 11. During the June 16, 1998 telephone call from Ruggiero to Case,  
24 Ruggiero represented that he had a block of Maid Aide shares available at a  
25 price of eight dollars and twenty five cents (\$8.25) per share, despite the fact that  
26 the shares were valued at nine dollars (\$9.00) per share - thus creating an



1 instant profit. Furthermore, Ruggiero represented that he was watching the stock  
2 daily and would place a "stop" order at eight dollars (\$8.00) per share to ensure  
3 that Case could not possibly lose significant sums on his purchase.

4 12. At no time during either the April or June 16 conversation between  
5 Ruggiero and Case did Ruggiero indicate that at that time neither he nor Baxter,  
6 Banks, and Smith Ltd was licensed to sell securities in the State of Oregon.

7 13. At no time during either the April or June 16 conversation between  
8 Ruggiero and Case did Ruggiero indicate that shares of Maid Aide, Inc were not  
9 registered with the State of Oregon.

10 14. On June 22, 1998 Case purchased one thousand (1,000) shares of  
11 Maid Aide, Inc stock through Baxter, Banks, and Smith, Ltd. Case tendered  
12 check number 2895 in the amount of eight thousand three hundred and seventy  
13 dollars (\$8,370.00) made payable to "JW Charles Clearinghouse."

14 15. On August 13, 1998 Ruggiero once again called Case. After  
15 representing that the Maid Aide stock Case had purchased on June 22, 1998  
16 was indeed worth nine dollars (\$9.00) per share, confirming Case's quick profit,  
17 Ruggiero suggested to Case that he purchase an additional three thousand  
18 (3,000) shares of Maid Aide stock at the price of nine dollars (\$9.00) per share.

19 16. As a result of Ruggiero's representation that his shares had risen in  
20 value in such a short period of time, Case purchased an additional five hundred  
21 (500) shares of Maid Aide, Inc stock on August 18, 1998 at the price of nine  
22 dollars (\$9.00) per share. Case tendered check number 2927 in the amount of  
23 four thousand six hundred and twenty dollars (\$4,620.00) made payable to "JW  
24 Charles Clearinghouse."

25 17. Based on representations made by Ruggiero in their conversation  
26 of August 13, 1998 Case believed that the "stop order" at eight dollars (\$8.00)



1 per share that applied to his previously purchased shares would apply to the  
2 shares he purchased on August 18, 1998 as well.

3 18. On or about September 5, 1998 Case received an account  
4 statement from "JW Charles Clearinghouse" stating that the value of Maid Aide  
5 shares was six dollars (\$6.00) per share. Obviously, no "stop order" was put in  
6 place, contrary to Ruggiero's

7 19. June 16, 1998 and August 13, 1998 representations. On or about  
8 September 24, 1999 Maid Aide shares (now trading as CFE Enterprises) were  
9 valued at .0625 cents per share.

10 20. On or about July 1, 1998 Ruggiero received a commission check in  
11 the amount of one hundred and nineteen dollars (\$119.00) from Baxter, Banks,  
12 and Smith Ltd for the June 22, 1998 purchase of Maid Aide shares by Case.

13 21. On or about September 2, 1998 Ruggiero received a commission  
14 check in the amount of ninety three dollars and fifty cents (\$93.50) from Baxter,  
15 Banks, and Smith, Ltd for the August 18 purchase of Maid Aide shares by Case.

16  
17 **Kenneth Grabner**  
18

19 22. Sometime in the month of June, 1998 Ruggiero "cold called" (that  
20 is, contacted with no prior business or personal relationship) Grabner and  
21 recommended that Grabner purchase shares in a company called Maid Aide.

22 23. Grabner explained to Ruggiero that he was eighty four years old  
23 and was only interested in the most conservative of investments.

24 24. Ruggiero represented to Grabner that he was watching the Maid  
25 Aide shares daily and would place a "stop" order at seven dollars and fifty cents  
26 (\$7.50) per share to ensure that Grabner could not possibly lose significant sums



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on his purchase. Grabner would never have purchased a single share of Maid Aide stock but for Ruggiero's express promise to sell the shares if they ever dropped to the seven dollar and fifty cent (\$7.50) point.

25. At no time during the June, 1998 conversation between Ruggiero and Grabner did Ruggiero indicate that at that time neither he nor Baxter, Banks, and Smith Ltd was licensed to sell securities in the State of Oregon.

26. At no time during the June, 1998 conversation between Ruggiero and Grabner did Ruggiero indicate that shares of Maid Aide, Inc were not registered with the State of Oregon.

27. At various points in June, 1998 and July, 1998 Grabner purchased five thousand (5,000) shares of Maid Aide stock at an average price of eight dollars and seventy five cents (\$8.75) per share.

28. Ruggiero never placed a "stop" order on any of Grabner's purchases. As the value of Maid Aide shares dropped below the seven dollar and fifty cent (\$7.50) point, Grabner, unaware of the absence of any "stop" order, was losing money by the day.

29. Utilizing the services of another broker, Grabner eventually sold all his Maid Aide holdings at a loss of thirty five thousand eight hundred thirty dollars (\$35,830.00).

**CONCLUSIONS OF LAW**

The Director **CONCLUDES** that:

- 1. The shares of stock issued by Maid Aide, Inc which were offered

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Labor and Industries Building  
350 Winter Street NE, Suite 410  
Salem, OR 97310  
Telephone: (503) 378-4387



1 and sold by Respondents RUGGIERO and BAXTER, BANKS, AND SMITH, LTD  
2 are "securities" as defined in ORS 59.015(19)(a).

3 2. Respondents RUGGIERO and BAXTER, BANKS, AND SMITH,  
4 LTD offered and/or sold unregistered securities in the State of Oregon in violation  
5 of ORS 59.055.

6 3. Respondent RUGGIERO transacted business in this State as a  
7 broker-dealer salesperson without being properly licensed as such in violation of  
8 ORS 59.165 (1).

9 4. Respondent BAXTER, BANKS, AND SMITH, LTD transacted  
10 business in this State as a broker-dealer without being properly licensed as such  
11 in violation of ORS 59.165 (1).

12 5. Respondent BAXTER, BANKS, AND SMITH, LTD transacted  
13 business in this State as a broker-dealer via an unlicensed broker-dealer  
14 salesperson in violation of ORS 59.165 (3).

15 6. Respondent RUGGIERO, and Respondent BAXTER, BANKS, &  
16 SMITH, LTD, by and through its agent, Kevin Ruggiero, in connection with the  
17 purchase or sale of a security, made untrue statements of a material fact and/or  
18 omitted to state a material fact necessary in order to make the statements made,  
19 in the light of the circumstances under which they were made, not misleading  
20 when he represented to Case that he could not possibly lose a substantial  
21 amount of money on his purchases of Maid Aide stock because a "stop" order  
22 would be placed at eight dollars (\$8.00) per share. In truth, Ruggiero never  
23 placed or attempted to place a "stop" order for this transaction and by the time  
24 Case received his first statement the share price for the issue in question was  
25 listed at six dollars (\$6.00) per share. Said misrepresentations violated ORS  
26 59.135 (2).



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7. Respondent RUGGIERO, and Respondent BAXTER, BANKS, & SMITH, LTD, by and through its agent, Kevin Ruggiero, in connection with the purchase or sale of a security, made untrue statements of a material fact and/or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading when he represented to Grabner that he could not possibly lose a substantial amount of money on his purchases of Maid Aide stock because a "stop" order would be placed at seven dollars and fifty cents (\$7.50) per share. In truth, Ruggiero never placed or attempted to place a "stop order" for Grabner's purchases and by the time the eighty four year old Grabner became aware of the absence of any "stop" order and sold his shares he had suffered losses of thirty five thousand eight hundred thirty (\$35, 830.00) dollars. Said misrepresentations

13 8. violated ORS 59.135 (2).

14 **FINAL ORDER**

15  
16 Therefore, the Director **ORDERS**

17 1. That Respondents RUGGIERO and BAXTER, BANKS, AND  
18 SMITH, LTD shall cease and desist from offering and/or selling securities to  
19 persons in the State of Oregon in violation of ORS Chapter 59 or OAR Chapter  
20 441.

21 2. That Respondent BAXTER, BANKS, AND SMITH, LTD is ordered  
22 to pay the sum of TWENTY THOUSAND DOLLARS (\$20,000.00) as a civil  
23 penalty for violations described herein.

24 3. That Respondent BAXTER, BANKS, AND SMITH, LTD is denied  
25 the use of any exemptions authorized by ORS 59.025 and ORS 59.035, until  
26 further order of the Director, pursuant to ORS 59.045.





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4. That Respondent BAXTER, BANKS, AND SMITH, LTD's license as  
a broker-dealer in the State of Oregon shall be suspended for a period of six (6)  
months after the date of final entry of this Order.

**IT IS SO ORDERED.**

Dated this \_\_\_\_ day of \_\_\_\_\_, 2000 at Salem, Oregon, NUNC PRO  
TUNC March 24, 2000.

\_\_\_\_\_  
**MARY C. NEIDIG, ACTING DIRECTOR**  
**DEPARTMENT OF CONSUMER & BUSINESS SERVICES**  
**STATE OF OREGON**

**APPROVED AS TO FORM:**

\_\_\_\_\_  
David T. Weiss  
Securities Compliance Officer  
Division of Finance and Corporate Securities  
Department of Consumer and Business Services  
State of Oregon

Dated: \_\_\_\_\_

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