

1 **STATE OF WASHINGTON**  
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**  
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING  
5 whether there has been a violation of the  
6 Securities Act of Washington by:

7 Cardinal Capital Management, Inc.; Cardinal  
8 Capital.Net, Inc.; Alexi Bethel,

9 Respondents.

Order Number S-05-081-06-SC01

STATEMENT OF CHARGES AND NOTICE  
OF INTENT TO ENTER ORDER TO CEASE  
AND DESIST AND NOTICE OF INTENT TO  
DENY FUTURE APPLICATION OF ALEXI  
BETHEL AND IMPOSE FINES

10 THE STATE OF WASHINGTON TO: Cardinal Capital Management, Inc.  
11 Cardinal Capital.Net, Inc.  
12 Alexi Bethel

13 **STATEMENT OF CHARGES**

14 Please take notice that the Securities Administrator of the State of Washington has reason to  
15 believe that the Respondents, Cardinal Capital Management, Inc., Cardinal Capital.Net, Inc. and Alexi  
16 Bethel have each violated the Securities Act of Washington and their violations justify the entry of an  
17 order of the Securities Administrator under RCW 21.20.390 against each to cease and desist from such  
18 violations. The Securities Administrator believes those violations also justify the denial of Alexi  
19 Bethel's future broker-dealer, securities salesperson, investment adviser and/or investment adviser  
20 representative application pursuant to RCW 21.20.110(1) and the imposition of fines pursuant to RCW  
21 21.20.110(1) and RCW 21.20.395.

22 The Securities Administrator finds as follows:

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23 STATEMENT OF CHARGES AND NOTICE OF INTENT 1  
24 TO ENTER ORDER TO CEASE AND DESIST AND  
25 NOTICE OF INTENT TO DENY FUTURE APPLICATION  
OF ALEXI BETHEL AND IMPOSE FINES

**DEPARTMENT OF FINANCIAL INSTITUTIONS**  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

1 **TENTATIVE FINDINGS OF FACT**

2 **I. RESPONDENTS**

3 1. Cardinal Capital Management, Inc. (“Cardinal Capital Management”) is a broker-dealer and  
4 investment adviser with its principal place of business at 601 Brickell Key Drive, Suite 102, Miami,  
5 Florida. Cardinal Capital Management was registered as a broker-dealer with the Washington State  
6 Securities Division from February of 1999 to December of 2004. Cardinal Capital Management has  
7 never been registered with the Washington State Securities Division as an investment adviser. When a  
8 member of the NASD Cardinal Capital’s license number was: CRD #24605.

9 2. Cardinal Capital. Net, Inc. (“Cardinal Capital.Net”) is a Florida corporation with its  
10 principal place of business at 601 Brickell Key Drive, Suite 102, Miami, Florida. Cardinal Capital.Net  
11 became the parent company of Cardinal Capital Management in May of 2000.

12 3. Alexi Bethel (“Bethel”) is an individual residing in Coral Gables, Florida. Bethel was  
13 registered as a securities salesperson with the Washington State Securities Division from August of 2001  
14 to March of 2005. Bethel is currently employed by Pointe Capital, LLC as a securities salesperson. Prior  
15 to that, Bethel was employed as a securities salesperson for fourteen different broker-dealers in  
16 approximately five years, including, R.K. Grace & Company from May of 2000 to February of 2001,  
17 Cardinal Capital Management, Inc. from January of 2001 to February of 2001, Prime Charter Ltd. from  
18 February of 2001 to April of 2001, Emerson Bennett & Associates from May of 2001 to August of 2001,  
19 Salomon Grey Financial Corporation from September of 2001 to March of 2002, LH Ross & Company,  
20 Inc. from February of 2002 to May of 2002, Platinum Investment Corp. from May of 2002 to July of  
21 2002, Cardinal Capital Management, Inc. from August of 2002 to February of 2003, Lloyd, Scott &  
22 Valenti, Ltd. from February of 2003 to May of 2004, North American Clearing Inc. from May of 2004 to

1 October of 2004, Westpark Capital Inc. from October of 2004 to March of 2005, VFinance Investments,  
2 Inc. from May of 2005 to June of 2005, Itradedirect.com Corp. from May of 2005 to June of 2005 and  
3 Salomon Grey Financial Corporation from July of 2005 to February of 2006. Bethel's securities  
4 salesperson license number with the NASD is: CRD # 4188275.

## 5 II. NATURE OF THE CONDUCT

6 4. Investor is a retired seventy-six year old Washington resident. Her account was worth  
7 approximately \$30,000 in April of 2004. Investor held shares of Boeing, Del Monte Foods Company,  
8 General Electric Company, HJ Heinz Company, and Microsoft and had a cash balance of approximately  
9 \$3,000. Investor had limited investment experience and her investment goals were income and capital  
10 preservation.

11 5. In or around July of 2004 Investor received a telephone call from Bethel. Investor's  
12 account, through various mergers, had ended up being held at North American. Bethel, a registered  
13 representative for North American, had been assigned her account. Investor had never spoken to Bethel  
14 before the telephone call. Bethel told Investor that she should sell all her stock and buy Blockbuster stock  
15 because it was going to pay a large dividend. Investor was not comfortable with this recommendation but  
16 believed Bethel knew more than she did. Investor reluctantly agreed to allow Bethel to sell all her stock  
17 and purchase Blockbuster. Bethel did not ask Investor any questions about her investment goals or  
18 financial status before recommending the purchase of Blockbuster stock.

19 6. On August 27, 2004, Bethel effected the sale of all of Investor's stock and purchased shares  
20 of Blockbuster stock for approximately \$23,909.

21 7. In or around September of 2004 Bethel called Investor and recommended that she sell the  
22 Blockbuster stock and purchase a mutual fund called Eaton Vance Utilities Fund Class A ("Eaton

1 Vance"). Investor again trusted Bethel's advice and reluctantly agreed to let Bethel sell the Blockbuster  
2 stock to purchase Eaton Vance. Bethel failed to provide Investor any specifics on Eaton Vance.

3 8. On September 27, 2004, Bethel effected the sale of the shares of Blockbuster at a loss and  
4 effected the purchase of shares in the Eaton Vance for approximately \$28, 433.

5 9. In or around November of 2004 Bethel contacted Investor and told her that a document was  
6 coming to her via FedEx that she needed to sign and send back to him. The document Investor received  
7 was an agreement for Cardinal Capital.Net stock. According to the agreement, Investor was purchasing  
8 Cardinal Capital.Net shares "facilitated through the agency facilities of" Cardinal Capital Management.  
9 The agreement was blank but Investor, trusting Bethel, signed the agreement as requested and sent the  
10 form back to Bethel.

11 10. On December 12, 2004, Bethel effected the sale of all the shares of Eaton Vance and on  
12 December 29, 2004 effected the purchase of 28,300 shares of Cardinal Capital.Net stock for \$28,300.  
13 Investor had never invested in a private placement before and was never sent any information about  
14 Cardinal Capital.Net or its parent company, Cardinal Capital Management.

15 11. Investor received her next statement and was shocked to see that her statement showed her  
16 account had no value. Investor called Bethel a few times and he did not return her calls. Investor called  
17 Cardinal Capital Management and was told that the Cardinal Capital. Net stock was not publicly traded  
18 and was illiquid. Bethel had never told Investor that the investment was illiquid.

19 12. On July 22, 2005 Cardinal Capital Management entered into a Letter of Acceptance and  
20 Waiver of Consent ("AWC") with the NASD for violation of NASD Conduct Rule 2110, Standards of  
21 Commercial Honor and Principles of Trade; 3010(A), Supervision; 2210(D) (1), Communications with  
22 the Public; 3110, Books and Records; 2310, Recommendations to Customers; 2330(A) Customers'

1 Securities or Funds; and NASD Procedural Rule 8210. As part of the AWC, Cardinal Capital was  
2 expelled from NASD membership.

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4 **III. MISREPRESENTATIONS AND OMISSIONS**

5 13. Respondents, Cardinal Capital Management, Inc., Cardinal Capital.Net, Inc. and Alexi  
6 Bethel failed to disclose material information about the Cardinal Capital.Net, Inc. stock including, but  
7 not limited to, the risks associated with the investment, information on the companies involved, financial  
8 information for the companies involved and that the investment was illiquid.

9 **IV. REGISTRATION STATUS**

10 14. Cardinal Capital Management, Inc. is not currently registered as a broker-dealer in the state  
11 of Washington. Cardinal Capital Management, Inc. was registered at the time of the offers described  
12 above as a broker-dealer in the state of Washington.

13 15. Cardinal Capital.Net, Inc. is not currently registered to sell securities in the state of  
14 Washington and has not previously been so registered.

15 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

16 **CONCLUSIONS OF LAW**

17 1. The offer and/or sale of stock, as described above, constitutes the offer and/or sale of a  
18 security as defined in RCW 21.20.005 (10) and (12).

19 2. The offer or sale of Cardinal Capital.Net, Inc. stock by Alexi Bethel, as an agent of  
20 Cardinal Capital Management, is in violation of RCW 21.20.140 because no registration or notification  
21 of claim of exemption for such offer or sale is on file with the Securities Administrator of the State of  
22 Washington.

1           3.     Alexi Bethel, as described above, has violated RCW 21.20.035, by knowingly effecting  
2 transactions in the account of Investor that were excessive in size and frequency in view of the financial  
3 resources and character of the account, and that were effected by reason of Investor's trust and confidence in  
4 Alexi Bethel. Such practice is grounds for denial of his future broker-dealer, securities salesperson,  
5 investment adviser and/or investment adviser representative application pursuant to RCW 21.20.110(1)  
6 (b) and for imposition of fines pursuant to RCW 21.20.110(1).

7           4.     Alexi Bethel, as described above, has violated RCW 21.20.702 by recommending the purchase  
8 and sale of securities to Investor without reasonable grounds to believe that the transactions were suitable.  
9 Such practice is grounds for denial of his future broker-dealer, securities salesperson, investment adviser  
10 and/or investment adviser representative application pursuant to RCW 21.20.110(1) (b) and for imposition  
11 of fines pursuant to RCW 21.20.110(1).

12           5.     Alexi Bethel, as described above, engaged in one or more dishonest and unethical practices  
13 in the securities business, as defined by WAC 460-22B-090(7), by recommending to a customer the  
14 purchase, sale or exchange of any security without reasonable grounds to believe that such transaction or  
15 recommendation is suitable for the customer. Such practice is grounds for denial of his future broker-  
16 dealer, securities salesperson, investment adviser and/or investment adviser representative application  
17 pursuant to RCW 21.20.110(1) (g).

18           6.     The offer or sale of Cardinal Capital.Net, Inc. stock was made in violation of RCW  
19 21.20.010 because, as set forth in the Tentative Findings of Fact, Respondents, Cardinal Capital  
20 Management, Inc., Cardinal Capital.Net, Inc. and Alexi Bethel, either made untrue statements of  
21 materials facts or omitted to state material facts necessary in order to make the statements made, in light  
22 of the circumstances under which they were made, not misleading. Such practice is grounds for denial of

1 Alexi Bethel's future broker-dealer, securities salesperson, investment adviser and/or investment adviser  
2 representative application pursuant to RCW 21.20.110(1) (b) and for imposition of fines pursuant to  
3 RCW 21.20.110(1).

4 **NOTICE OF INTENT TO ORDER THE RESPONDENTS TO CEASE AND DESIST**

5 Based on the above Tentative Findings of Fact and Conclusions of Law, the Securities  
6 Administrator intends to order that Respondents, Cardinal Capital Management, Inc., Cardinal  
7 Capital.Net, Inc. and Alexi Bethel, their agents and employees each cease and desist from violations of  
8 RCW 21.20.010, RCW 21.20.040, and RCW 21.20.140.

9 **NOTICE OF INTENT TO DENY FUTURE APPLICATION**

10 Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact and  
11 Conclusions of Law, the Securities Administrator intends to order that any future broker-dealer,  
12 securities salesperson, investment adviser and/or investment adviser representative application of Alexi  
13 Bethel be denied by the Securities Division.

14 **NOTICE OF INTENT TO IMPOSE FINES**

15 Pursuant to RCW 21.20.395, and based upon the above Tentative Findings of Fact and  
16 Conclusions of Law, the Securities Administrator intends to order that Cardinal Capital Management,  
17 Inc. and Cardinal Capital.Net, Inc. shall be jointly and severally liable for and pay a fine of \$10,000.

18 Pursuant to RCW 21.20.110(1) and RCW 21.20.395, and based upon the above Tentative  
19 Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Alexi Bethel  
20 shall be liable for and pay a fine of \$5,000.

1 **AUTHORITY AND PROCEDURE**

2 This Statement of Charges is entered based on the provisions of RCW 21.20.110, 21.20.390 and  
3 RCW 21.20.395 and is subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. The  
4 Respondents may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY  
5 TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If a Respondent does  
6 not request a hearing, the Securities Administrator intends to adopt the foregoing Tentative Findings of  
7 Fact and Conclusions of Law as final, enter a permanent cease and desist order, and impose the fines and  
8 other relief sought in this Order as to that Respondent.

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10 DATED and ENTERED this 7th day of June, 2006.

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14 MICHAEL E. STEVENSON  
15 Securities Administrator

16 Approved by:

17 Presented by:

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20 \_\_\_\_\_  
21 Suzanne Sarason  
22 Chief of Compliance & Examinations

23 \_\_\_\_\_  
24 Kate Reynolds  
25 Financial Legal Examiner