

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

4 IN THE MATTER OF DETERMINING) Order No. S-03-150-03-FO10
whether there has been a violation of the)
Securities Act of Washington by:) ENTRY OF FINDINGS OF FACT AND
5 MICHAEL F. DOBBS, CRD# 2629456,) CONCLUSIONS OF LAW AND FINAL
Respondent.) ORDER TO CEASE AND DESIST, DENYING
6) REGISTRATIONS, AND IMPOSING FINES
7)

8 THE STATE OF WASHINGTON TO: Michael F. Dobbs, CRD # 2629456
1458 Dwight Place
9 Bronx, New York 10465

10 **STATEMENT OF CHARGES**

11 On September 22, 2003, the Securities Administrator of the State of Washington entered Order # S-03-
12 150-03-SC01, Statement of Charges and Notice of Intent to Enter an Order to Cease and Desist, Deny
13 Registrations, and Impose Fines ("Statement of Charges") against Respondent Michael F. Dobbs.

14 The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing
15 ("Notice") and an Application for Adjudicative Hearing ("Application"), were personally served on
16 Respondent on October 7, 2003. The Notice advised Respondent that he had twenty days from the date of
17 receipt of the Statement of Charges to file a written application for an adjudicative hearing. Michael F. Dobbs
18 failed to request an adjudicative hearing as required. The Securities Administrator therefore adopts as final the
19 Tentative Findings of Fact and Conclusions of Law as set forth in the Statement of Charges.

20
21 **FINDINGS OF FACT**

22 1. Michael Francis Dobbs ("Dobbs") was at all times material to this action a registered securities
23 salesperson, CRD# 2629465, employed by GIT Securities Corporation. Between March 1995 and January

24 ENTRY OF FINDINGS OF FACT AND CONCLUSIONS OF LAW AND FINAL ORDER TO CEASE AND
25 DESIST, DENYING SECURITIES SALESPERSON REGISTRATION, AND IMPOSING FINES

1

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

1 2003, Dobbs worked for 15 different broker-dealers. While Dobbs had previously been registered as a
2 securities salesperson in Washington, at no time material to this action was Dobbs registered to offer
3 securities in Washington State. Dobbs resides in New York, New York.

4 2. GIT Securities Corporation ("GIT") of New Rochelle, New York, was at all times material to this
5 action a broker dealer registered to do business in Washington. On or about May 1, 2003, GIT was
6 expelled from membership in the National Association of Securities Dealers ("NASD"), and its President,
7 Christian Nigohossian, was barred from association with any NASD member in any capacity.

8 3. On or about June 15, 2002, Dobbs made an unsolicited telephone call to a Washington resident, Mr.
9 Herbert, offering shares of Cygnus, Inc. ("Cygnus"), a California corporation traded on the Over The
10 Counter ("OTC") bulletin board.

11 4. Mr. Herbert, who had no prior relationship with Dobbs and was not a customer of GIT, stated that
12 he was not interested in purchasing any stock. Dobbs ignored the statement, offered to sell Mr. Herbert
13 5,000 shares of Cygnus, and attempted to confirm Mr. Herbert's mailing address. When Mr. Herbert
14 questioned what Dobbs intended to mail him, Dobbs said that he would be mailing the confirmation of his
15 Cygnus order. Mr. Herbert objected, as he had not ordered any shares, and was not interested in the stock.

16 5. Dobbs responded with an offer to sell 2,500 shares. Mr. Herbert's continuing objections and refusal
17 to purchase were countered by Dobbs with offers to sell 500, 100, and finally a single share of Cygnus.
18 Dobbs insisted that he was going to sell Mr. Herbert at least one share of Cygnus. When Mr. Herbert
19 objected again, Dobbs stated that he was "a seven-figure broker," that his analysts were "the top team on
20 Wall Street," that Cygnus was a "sure-fire" stock, and that if Mr. Herbert bought just one share of Cygnus
21 stock Mr. Herbert would become a steady customer.

22 6. At this point Mrs. Herbert joined the conversation in an effort to end the call. She informed Dobbs
23 that they had recently purchased shares of another OTC stock, Watchguard, and that they were not

1 interested in purchasing another OTC stock. Dobbs countered the objection with instructions that the
2 Herberts sell one-half of the Watchguard stock and invest the proceeds in shares of Cygnus.

3 7. Mr. Herbert objected again, stating that they would research Cygnus and call Dobbs later that day.
4 Dobbs stated that they had to make up their minds quickly, and get their order in, as he was placing a large
5 order for Cygnus stock at exactly 3:00 p.m. EST.

6 8. Mr. Herbert contacted the Washington State Securities Division and was informed that Dobbs was
7 not registered as a securities salesperson in Washington. Mr. Herbert called Dobbs prior to the deadline set
8 by Dobbs and left a message for Dobbs to call.

9 9. On or about June 17, 2002, Dobbs returned the call. Mr. Herbert informed Dobbs that he had
10 discovered that Dobbs was not registered in Washington State. Dobbs falsely claimed that he was
11 registered, and that he had as many as 50 clients in Washington. Dobbs stated that Cygnus had risen 44%
12 since the prior sales call, and once again offered to sell Mr. Herbert some Cygnus shares. Mr. Herbert
13 reiterated that Dobbs was not registered in Washington and refused to purchase. Dobbs hung up.

14 10. At the time of these solicitations, Dobbs was not registered as a securities salesperson, broker-
15 dealer, investment adviser, or investment adviser representative in Washington State.

16
17 Based upon the above Findings of Fact, the following Conclusions of Law are made:

18 **CONCLUSIONS OF LAW**

19 1. The offer of Cygnus stock by Respondent Michael F. Dobbs as described above constitutes the offer of
20 securities as defined in RCW 21.20.005(10) and (12).

21 2. Respondent Dobbs has violated RCW 21.20.040 by offering said securities while not registered as a
22 securities salesperson, broker-dealer, investment adviser, or investment adviser representative in the State of
23 Washington.

1 3. Respondent Dobbs has recklessly and knowingly violated RCW 21.20.010(2) in connection with the
2 offer of securities by falsely representing that he was registered in Washington and by omitting to state
3 material facts necessary in order to make his statements concerning the investment in Cygnus not misleading.
4 Furthermore, Respondent Dobbs has knowingly and recklessly violated RCW 21.20.010(3) in connection with
5 the offer of securities by engaging in a course of business which operates or would operate as a fraud or deceit,
6 to wit, engaging in cold-calling sales practices utilizing high-pressure, harassment, and deception.

7
8 **FINAL ORDER**

9 Based on the foregoing, NOW, THEREFORE, IT IS HEREBY ORDERED, pursuant to RCW
10 21.20.390, that Respondent Michael F. Dobbs shall cease and desist from violating RCW 21.20.040 and
11 RCW 21.20 010, the securities salesperson registration and the anti-fraud provisions of the Securities Act
12 of Washington.

13 IT IS FURTHER ORDERED, pursuant to RCW 21.20.110, that Respondent Michael F. Dobbs shall
14 be denied registration as a securities salesperson, broker-dealer, investment adviser representative, or
15 investment adviser in the State of Washington for a period of five (5) years from the entry of this Final
16 Order.

17 IT IS FURTHER ORDERED, pursuant to RCW 21.20.395, that Michael F. Dobbs is hereby fined
18 \$5,000, which is due and owing upon the entry of this Order. Such payment shall be: (a) made by United
19 States postal money order, certified check, bank cashier's check or bank money order; (b) made payable to
20 the Washington State Treasurer; (c) delivered by certified mail to Deborah R. Bortner, Securities
21 Administrator, Department of Financial Institutions, PO Box 9033, Olympia, Washington 98507-9033; and
22 (d) submitted with the attached Remittance Form.

1 **AUTHORITY AND PROCEDURE**

2 This Order is entered pursuant to the provisions of RCW 21.20.110, RCW 21.20.390, and RCW
3 21.20.395, and is subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. A certified copy
4 of this order filed in Superior Court shall be treated in the same manner as a Superior Court judgment,
5 and may be recorded, enforced, or satisfied in like manner. Accordingly, if filed, Respondent will be
6 liable for costs and interest on the amount of judgment at the interest rate on judicial judgments, and may be
7 liable for attorney fees.

8
9 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

10
11 ENTERED this 2nd day of December 2003.

12
13 Order Entered by:

14 

15 Deborah R. Bortner
16 Securities Administrator

17 Approved by:

18 

19 Michael E. Stevenson
20 Chief of Enforcement

21 Presented by:

22 

23 Anthony W. Carter
24 Financial Legal Examiner