

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

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

MICHAEL F. DOBBS, CRD#2629465,

Respondent.

S-03-150-03-SC01

**STATEMENT OF CHARGES AND NOTICE
OF INTENT TO ENTER AN ORDER TO CEASE
AND DESIST, DENY REGISTRATIONS, AND
IMPOSE FINES**

Case No. S-03-150

THE STATE OF WASHINGTON TO:

Michael F. Dobbs
1458 Dwight Place
Bronx, NY 10465

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondent, Michael F. Dobbs, has violated the Securities Act of Washington by offering securities in Washington while not registered in Washington State, by making material misrepresentations in the course of those offers, and by engaging in a course of business which operates or would operate as a fraud or deceit. The Securities Administrator believes that these violations justify the entry of an order in the public interest against Michael F. Dobbs by the Securities Administrator pursuant to RCW 21.20.390 to cease and desist from such violations, and under RCW 21.20.110 denying registration as a securities salesperson. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

1. Michael Francis Dobbs ("Dobbs") was at all times material to this action a registered securities salesperson, CRD# 2629465, employed by GIT Securities Corporation. Between March 1995 and January 2003, Dobbs worked for 15 different broker-dealers. While Dobbs had previously been registered as a

1 securities salesperson in Washington, at no time material to this action was Dobbs registered to offer
2 securities in Washington State. Dobbs resides in New York, New York.

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

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

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

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

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

1 Herberts sell one-half of the Watchguard stock and invest the proceeds in shares of Cygnus.

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

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

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

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

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

17 **CONCLUSIONS OF LAW**

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

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

23 3. Respondent Dobbs has recklessly and knowingly violated RCW 21.20.010(2) in connection with the

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

6
7 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

8 Pursuant to RCW 21.20.390, and based on the above Tentative Findings of Fact and Conclusions of
9 Law, the Securities Administrator intends to order that Respondent Michael F. Dobbs shall permanently
10 cease and desist from violations of RCW 21.20.010 and RCW 21.20.040.

11
12 **NOTICE OF INTENT TO DENY REGISTRATIONS**

13 Pursuant to RCW 21.20.110(1)(b), and based upon the above Tentative Findings of Fact and
14 Conclusions of Law, the Securities Administrator intends to order that Respondent Michael F. Dobbs shall
15 be denied registration as a securities salesperson, broker-dealer, investment adviser, or investment adviser
16 representative in the State of Washington for a period of five (5) years from the date of entry of the final
17 order in this matter.

18 **NOTICE OF INTENT TO IMPOSE FINES**

19 Pursuant to RCW 21.20.395, based upon Respondent Dobbs' knowing and reckless violations of RCW
20 21.20.010 including: making material misrepresentations and engaging in a course of business which
21 operated as a fraud or deceit, and upon the above Tentative Findings of Fact and Conclusions of Law, the
22 Securities Administrator intends to order that Respondent Michael F. Dobbs shall be liable for and pay a
23 fine of \$5,000.

1 **AUTHORITY AND PROCEDURE**

2 This Statement of Charges is entered pursuant to the provisions of RCW 21.20.390 and RCW
3 21.20.110, and is subject to the provisions of RCW 21.20.120 and RCW 34.05. Respondent Michael F.
4 Dobbs may make a written request for a hearing as set forth in the Notice of Opportunity to Defend and
5 Opportunity for Hearing accompanying this Statement of Charges. If the Respondent does not request a
6 hearing, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions
7 of Law as final, and enter a final order against Respondent enjoining future violations of the Securities Act,
8 denying registration, and imposing fines as described above.

9
10 Dated this 22 day of September, 2003.

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12 

13 Deborah R. Bortner
14 Securities Administrator

15 Approved by:

16 

17 Michael E. Stevenson
18 Chief of Enforcement

19 Presented by:

20 

21 Anthony W. Carter
22 Financial Legal Examiner