

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS Arizona Corporation Commission

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TOM FORESE - Chairman

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APR 05 2017

DOCKETED BY

In the matter of:)
LAWRENCE M. LABINE, CRD#1279935,)
an individual,)
Respondent.)

DOCKET NO. S-21010A-17-0096

**NOTICE OF OPPORTUNITY FOR HEARING
REGARDING PROPOSED ORDER OF
REVOCATION**

**NOTICE: RESPONDENT HAS 10 DAYS TO REQUEST A HEARING
RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondent Lawrence M. LaBine has engaged in acts, practices, and transactions that constitute grounds for revocation under the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") and the Arizona Investment Management Act, A.R.S. § 44-3101 *et seq.* ("IM Act").

I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution, the Securities Act and the IM Act.

II.

FACTS

2. LaBine has been registered with the Commission as a securities salesman since February 1986, and as an investment adviser representative since December 2002, with the exception of when he was transferring employment between firms.

3. On July 8, 2014, the Securities and Exchange Commission instituted proceedings against LaBine for violations of the Securities Act of 1933, the Securities Exchange Act of 1940, the Investment Advisers Act of 1940, and the Investment Company Act of 1940.

1 4. In August and September 2015, the SEC held a seven-day administrative hearing for
2 LaBine.

3 5. On March 2, 2016, the Securities and Exchange Commission released a Redacted
4 (Public) Initial Decision against LaBine.

5 6. In the Legal Conclusions section of the Initial Decision, the SEC found that LaBine
6 employed a scheme to defraud clients and made several material misrepresentations and omissions
7 in connection with selling his clients debentures in a software company, including the following:

- 8 • LaBine failed to disclose a material conflict of interest to his clients, namely that he could
9 receive warrants in the company as extra incentive compensation from selling the debentures.
- 10 • LaBine failed to disclose to his clients that he had made significant fundraising commitments
11 to the company's board, which also created a material conflict of interest.
- 12 • LaBine failed to disclose a third, material conflict of interest to his clients, namely that he
13 was the company's primary fundraiser.
- 14 • LaBine did not disclose numerous risk factors indicating a high chance of the investment's
15 failure.

16 The SEC held that these material misrepresentations and omissions along with the scheme to sell
17 debentures to his clients in order to make good LaBine's fund-raising commitments to a company in
18 which he could potentially own warrants violated the antifraud provisions of the Securities Act of
19 1933, Section 17(a), Securities Exchange Act of 1940, Section 10(b) and Rule 10b-5, and Investment
20 Advisers Act, Section 206(1) and (2).

21 7. In the Initial Decision, along with other orders, the SEC barred LaBine from
22 association with any investment adviser, broker, or dealer, with a right to reapply for association in
23 two years.

24 8. On April 22, 2016, the SEC entered a Notice that Initial Decision has Become Final.
25 This Notice makes the findings and orders against LaBine in the Initial Decision effective, including
26 the two-year bar from association with any investment adviser, broker, or dealer.

1 **III.**

2 **REMEDIES PURSUANT TO A.R.S. § 44-1962**

3 **(Denial, Revocation, or Suspension of Registration of Salesman; Restitution, Penalties, or other**
4 **Affirmative Action)**

5 Respondent's conduct is grounds to revoke LaBine's registration as a securities salesman with
6 the Commission pursuant to A.R.S. § 44-1962(A)(8). Specifically, LaBine is subject to an order of the
7 SEC denying, suspending or revoking membership or registration as a broker or dealer in securities or
8 an investment adviser or investment adviser representative for at least six months.

9 **IV.**

10 **REMEDIES PURSUANT TO A.R.S. § 44-3201**

11 **(Denial, Revocation, or Suspension of Investment Adviser or Investment Adviser Representative**
12 **License; Restitution, Penalties, or other Affirmative Action)**

13 LaBine's conduct is grounds to revoke his license as an investment adviser representative with
14 the Commission pursuant to A.R.S. § 44-3201(A)(10). Specifically, LaBine is subject to an order of the
15 SEC denying, revoking or suspending membership, licensure or registration as a broker or dealer in
16 securities or as an investment adviser or investment adviser representative for at least six months and
17 revocation of LaBine's license would be in the public interest.

18 **V.**

19 **REQUESTED RELIEF**

20 The Division requests that the Commission grant the following relief:

- 21 1. Order the revocation of LaBine's registration as a securities salesman pursuant to A.R.S.
22 § 44-1962; and
- 23 2. Order the revocation of LaBine's license as an investment adviser representative
24 pursuant to A.R.S. § 44-3201.

VI.

HEARING OPPORTUNITY

The respondent may request a hearing pursuant to A.R.S. § 44-1972 and 44-3212 and A.A.C. R14-4-306. **If the respondent requests a hearing, the requesting respondent must also answer this Notice.** A request for hearing must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. The requesting respondent must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's website at <http://www.azcc.gov/divisions/hearings/docket.asp>.

If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission may, without a hearing, enter an order granting the relief requested by the Division in this Notice of Opportunity for Hearing.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Kacie Cannon, ADA Coordinator, voice phone number (602)542-3931, e-mail kcannon@azcc.gov. Requests should be made as early as possible to allow time to arrange the accommodation. Additional information may be found at <http://www.azcc.gov/divisions/securities/enforcement/AdministrativeProcedure.asp>

VII.

ANSWER REQUIREMENT

Pursuant to A.A.C. R14-4-305, if the respondent requests a hearing, the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be obtained from Docket Control by calling (602)542-3477 or at <http://www.azcc.gov/divisions/hearings/docket.asp>.

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Additionally, the answering respondent must serve the Answer upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007, addressed to Ryan Millecam.

The Answer shall contain an admission or denial of each allegation in this Notice and the original signature of the answering respondent or respondent's attorney. A statement of a lack of sufficient knowledge or information shall be considered a denial of an allegation. An allegation not denied shall be considered admitted.

When the answering respondent intends in good faith to deny only a part or a qualification of an allegation, the respondent shall specify that part or qualification of the allegation and shall admit the remainder. The respondent waives any affirmative defense not raised in the Answer.

The officer presiding over the hearing may grant relief from the requirement to file an Answer for good cause shown.

Dated April 5, 2017.


Matthew J. Neubert
Director of Securities