

ORIGINAL
OPEN MEETING ITEM



0000071091

COMMISSIONERS
MARC SPITZER - Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON
KRISTIN K. MAYES



SECURITIES DIVISION
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BRIAN C. McNEIL
EXECUTIVE SECRETARY
Arizona Corporation Commission

ARIZONA CORPORATION COMMISSION

DOCKETED

DEC 19 2003

MEMORANDUM

DOCKETED BY

TO: Marc Spitzer, Chairman
William A. Mundell
Jeff Hatch-Miller
Mike Gleason
Kristin K. Mayes

FROM: Matthew J. Neubert
Director of Securities

S-03545A-03-0000

DATE: December 18, 2003

RE: Proposed Default Order Revoking Securities Salesman Registration, *In the Matter of Chris Hugh Rutland (CRD #1898966)*

CC: Brian C. McNeil, Executive Secretary

RECEIVED
2003 DEC 19 11:11
AZ CORP COMMISSION
DOCUMENT CONTROL

Attached is a proposed Order Revoking Securities Salesman Registration ("Order") with respect to Respondent Chris Hugh Rutland (CRD #1898966). The Order revokes Rutland's registration as a securities salesperson in Arizona. On October 15, 2003, the Securities Division personally served on Rutland a Notice of Opportunity for Hearing Regarding Proposed Order of Revocation and for Other Affirmative Action ("Notice"). The Notice advised Rutland that he must file a request for hearing within ten days, and must answer the Notice within thirty days, or default would be entered against him. Rutland did not respond. On November 14, 2003, the Division filed with Docket Control an Application for Default and Affidavit on Default ("Default Application"), and mailed a copy by certified mail to Rutland's last known address. The Default Application advised Rutland that, if he did not respond within ten days, default would be entered. Rutland did not respond.

The Notice alleged that, effective March 12, 2003, the National Association of Securities Dealers ("NASD") entered an order barring Rutland from association with any NASD member in any capacity. The NASD entered that order because Rutland had refused to respond to an NASD request for documents and/or information in connection with an NASD suspension notice issued in September 2002. That suspension arose from a complaint by an elderly customer whom Rutland had defrauded. Rutland acted as the victim's investment adviser and gained

December 18, 2003

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access to her assets, which he liquidated and placed into money market accounts and annuities. He submitted false documents to change ownership of those accounts to a co-conspirator who systematically withdrew funds for the benefit of both conspirators, until the victim's funds were depleted.

A federal grand jury in New Jersey indicted Rutland for Conspiracy to Defraud based on the same facts. He was convicted in March 2003. Rutland was sentenced to 51 months in federal prison followed by three years of supervised release, was ordered to pay restitution of \$553,867.72 to the victim, and also was ordered to have no further involvement with the financial advising business. The co-conspirator also was indicted and convicted.

As a result of Rutland's suspension and conviction, numerous grounds exist for revoking Rutland's registration as a securities salesman in Arizona: Rutland is subject to an SRO order revoking his registration, lacks integrity and good business reputation, has engaged in dishonest or unethical practices in the securities industry, and has been convicted of a felony involving a transaction in securities, of which fraud is an essential element or arising out of the conduct of any business in securities.

The Division recommends entry of the proposed Order; revocation of Rutland's registration is a just resolution of this matter. No order of restitution is required, since Rutland is subject to a federal criminal restitution order.

Originator: Kathleen Coughenour DeLaRosa

1 2. On October 15, 2003, the Division effected personal service of the Notice upon
2 Rutland at the address shown in the caption above.

3 3. More than thirty days have passed since service of the Notice, and Rutland has
4 neither requested a hearing nor filed an Answer to the Notice.

5 4. On November 19, 2003, the Division filed with Docket Control of the Commission
6 an Affidavit on Default and Application for Entry of Default. A copy was mailed by certified mail,
7 return receipt requested, to Rutland at his last known address. The certified mailing was signed for
8 on November 21, 2003.

9 5. From May 6, 1997 to June 1, 2001, Rutland was registered as a securities salesman in
10 Arizona and associated with Northeast Securities, Inc., based in Mitchelfield, New York
11 ("Northeast"). On June 1, 2001, Rutland was permitted to resign from Northeast, and since that time
12 he has not been associated with a dealer. Rutland was also employed by Jaron Equities Corporation
13 of Hicksville, New York ("Jaron") from October 1995 to February 1997, before being registered in
14 Arizona. Rutland's last known address is 4781 West Ferret Drive, Tucson, Arizona 85742.

15 6. Effective March 12, 2003, the National Association of Securities Dealers ("NASD")
16 entered an order in NASD Docket/Case Number 8210-3A020005 barring Rutland from any
17 association with any NASD member in any capacity.

18 7. The NASD took that action because Rutland had failed to respond to an NASD
19 request for documents and/or information pursuant to a suspension notice issued in September 2002.
20 The suspension resulted from a complaint the NASD received on July 20, 2001, from an elderly
21 woman who lived in the northeastern United States.

22 8. The NASD is a self-regulatory organization ("SRO") in the securities industry; it is
23 registered as an SRO under the Securities Exchange Act of 1934. Accordingly, Rutland is "subject
24 to an order of ... an SRO ... revoking membership or registration as a broker" as specified in
25 A.R.S. § 44-1962(A)(8).

26

1 IT IS ORDERED, pursuant to A.R.S. § 44-1962, that Chris Hugh Rutland's registration as a
2 securities salesman in Arizona is revoked.

3 **BY ORDER OF THE ARIZONA CORPORATION COMMISSION**

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6 CHAIRMAN

COMMISSIONER

COMMISSIONER

7
8 COMMISSIONER

COMMISSIONER

9 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
10 Executive Secretary of the Arizona Corporation
11 Commission, have hereunto set my hand and caused
12 the official seal of the Commission to be affixed at the
13 Capitol, in the City of Phoenix, this _____ day of
14 _____, 2003.

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BRIAN C. McNEIL
Executive Secretary

DISSENT

27 This document is available in alternative formats by contacting Yvonne McFarlin, Executive
28 Assistant to the Executive Secretary, voice phone number 602-542-3931, e-mail
29 ymcfarlin@cc.state.az.us.

30 N:\ENFORCE\CASES\rutland.kcd\PLEADING\Default Order.doc