

COMMONWEALTH OF KENTUCKY
PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS
AGENCY CASE NO. 2019—AH—00038

ENTERED
JUL 19 2019
AER 2PM
COMMISSIONERS OFFICE

DEPARTMENT OF FINANCIAL INSTITUTIONS

COMPLAINANT

vs.

AGREED ORDER

STANLEY ROSENTHAL

RESPONDENT

FACTUAL BACKGROUND

1. The Kentucky Department of Financial Institutions (DFI) is responsible for administering the provisions of Kentucky Revised Statutes (KRS) Chapter 292, the Securities Act of Kentucky (the “Act”), as well as the rules and regulations enacted thereunder.

2. Respondent Stanley Rosenthal (“Rosenthal”), CRD# 4335560, is a registered investment adviser representative located in the Commonwealth of Kentucky.

3. In November of 2017, DFI received a complaint regarding Rosenthal’s conduct as an investment adviser representative. Pursuant to this complaint, DFI opened an investigation into Rosenthal’s investment-related activity. This investigation established the facts stated herein.

4. Rosenthal was registered with Marian Financial Services, Inc. (MFS), CRD# 141456, as an investment adviser representative until his termination on November 3, 2017. Subsequently, effective November 21, 2017, Rosenthal became registered as an investment adviser representative with Independent Financial Partners, (IFP), CRD# 125112,.

5. Prior to his departure from MFS, Rosenthal entered into a contract with an investment adviser representative at IFP named Brian Ramsey (“Ramsey”), CRD# 4771161. In this contract, Rosenthal agreed to refer his MFS clients to Ramsey in exchange for compensation totaling six hundred and forty thousand, five hundred and forty-five dollars (\$640,545). This contract was executed on November 3, 2017, and Rosenthal received a down payment of three hundred and fifty thousand dollars (\$350,000) on the same day.

6. As part of this contract, Rosenthal provided Ramsey with a detailed list of his clients at MFS. This list was attached as Exhibit 1 to the contract and included client names, addresses, account balances, and other detailed information. Rosenthal did not have written authorization from his clients to disclose this information.

7. Between Rosenthal’s termination from MFS and the beginning of his registration with IFP, he actively worked to solicit his old clients on behalf of Ramsey and IFP. During this time, Rosenthal was not registered as an investment adviser representative.

8. While Rosenthal did disclose to his former clients that Ramsey was “buying [his] practice,” Rosenthal did not disclose the specifics of the compensation he received from Ramsey, which created a conflict with the fiduciary duty Rosenthal owed to his clients.

STATUTORY AUTHORITY

9. KRS 292.330 (11) states that “It is unlawful for an individual to transact business in this state as an investment adviser representative unless the individual is registered under this chapter as an investment adviser representative or is exempt from registration...”

10. KRS 292.310(12) defines an investment adviser representative as

“an individual employed by or associated with an investment adviser or covered adviser and who makes any recommendations or otherwise gives investment advice regarding securities, manages accounts or portfolios of clients, determines which recommendations or advice regarding securities should be given, provides investment advice or

holds himself or herself out as providing investment advice, receives compensation to solicit, offer, or negotiate for the sale of or for selling investment advice, or supervises employees who perform any of the foregoing.”

11. 808 Kentucky Administrative Regulation (KAR) 10:450 § 2 provides in relevant part that the following items “shall be considered either a breach of fiduciary duty or a dishonest and unethical practice...

(11) Failing to disclose to clients in writing before any advice is rendered any material conflict of interest relating to the adviser, or any of its employees ...

(16) Disclosing the identity, affairs, or investments of any client unless required by law to do so, or unless consented to in writing by the client.”

CONCLUSIONS OF LAW

12. Rosenthal violated KRS 292.330(11) by transacting business as an investment adviser representative without being registered under this chapter or exempt from registration.

13. Rosenthal violated 808 KAR 10:450 § 2(11) by failing to disclose the details of the financial compensation he received from Ramsey.

14. Rosenthal violated 808 KAR 10:450 § 2(16) by disclosing confidential client information to Ramsey without the written consent of his clients to do so.

AGREEMENT AND ORDER

15. To resolve this matter without litigation or other adversary proceedings, DFI and Respondent agree to compromise and settle all claims arising from the above referenced factual background in accordance with the terms set forth herein.

16. In the interest of economically and efficiently resolving the violations described herein, DFI and Respondent hereby agree as follows:

- a. Respondent agrees to pay a civil fine in the amount of **eight thousand and seven hundred dollars (\$8,700)** for the violations described herein, which shall be due and payable upon the entry of this Agreed Order;
- b. All payments under this Order shall be in the form of a certified check or money order made payable to “Kentucky State Treasurer” and mailed to the Department of Financial Institutions, Securities Division, 2019-AH-00039, 1025 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601; and
- c. Respondent shall cease and desist from any further violations of the Act.

17. Respondent waives his right to demand a hearing at which he would be entitled to legal representation, to confront and cross-examine witnesses, and to present evidence on his own behalf, or to otherwise appeal or set aside this Agreed Order.

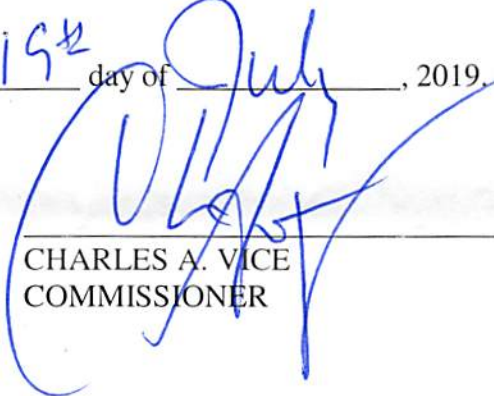
18. Respondent consents to and acknowledges the jurisdiction of DFI over this matter and that this Agreed Order is a matter of public record and may be disseminated as such.

19. In consideration of execution of this Agreed Order, Respondent for himself, and for his successors and assigns, hereby releases and forever discharges the Commonwealth of Kentucky, DFI, Office of Legal Services, and each of their members, agents, and employees in their individual capacities, from any and all manner of actions, causes of action, suits, debts, judgments, executions, claims and demands whatsoever, known and unknown, in law or equity, that Respondent ever had, now have, may have or claim to have against any or all of the persons or entities named in this paragraph arising out of or by reason of this investigation, this disciplinary action, this settlement or its administration.

20. By signing below, the parties acknowledge they have read the foregoing Agreed Order, know and fully understand its contents, and that they are authorized to enter into and execute this Agreed Order and legally bind their respective parties.

21. This Agreed Order shall constitute the Final Order in this matter.

IT IS SO ORDERED on this the 19th day of July, 2019.



CHARLES A. VICE
COMMISSIONER

Consented to:

On behalf of the Department of Financial Institutions,

This 19th day of July, 2019.

Chad K. Harlan

Chad Harlan, Acting Director
Division of Securities
Department of Financial Institutions

AND

On his own behalf,

This 15th day of July, 2019.

Stanley Rosenthal

Stanley Rosenthal
Respondent

ACKNOWLEDGEMENT

STATE OF Kentucky)

COUNTY OF Jefferson)

On this the 15 day of July, 2019, before me Todd Seaver Stanley Rosenthal SDM

Stanley Rosenthal personally appeared and acknowledged himself to be the Respondent named herein and acknowledged that he entered into and executed the foregoing instrument for the purposes therein contained.

My Commission Expires: 1-17-2020

Todd Seaver
Notary Public



CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **Agreed Order** was sent on this the 19th day of July, 2019, by certified mail, return receipt requested, to:

Stanley Rosenthal
3502 Shelburn Drive
Crestwood, Kentucky 40014
Respondent

And by Hand-Delivery to:

Stuart Michael
1025 Capital Center Drive, Suite 200
Frankfort, KY 40601
Counsel for Department of Financial Institutions



Kentucky Department of Financial Institutions