

BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES

In the Matter of
LYONS WARD & ASSOCIATES LLC,
GENE COLLINS, and PHILLIP ROTH,

PETITION FOR ORDER
(SUMMARY)

Respondents.

File No. S-09032(EX)

The staff of the Bureau of Enforcement of the Division of Securities, Department of Financial Institutions, State of Wisconsin has conducted an investigation in this matter pursuant to §551.56, Wis. Stats., and as a result thereof alleges as follows:

1. Lyons Ward & Associates LLC (“LWA”) (CRD #79756) is a New York limited liability company, with a last known business address of 590 Madison Avenue, 21st Floor, New York NY 10022.
2. Gene Collins (“Collins”) at all times material hereto has been President of LWA with a last known business address of 590 Madison Avenue, 21st Floor, New York NY 10022.
3. Phillip Roth (“Roth”) at all times material hereto has been Vice President of LWA in charge of Private Client Services with a last known business address of 590 Madison Avenue, 21st Floor, New York NY 10022.
4. On or about May of 2008, Roth placed a “cold call” to a Wisconsin investor offering him an investment in a Collateralized Debt Obligation Contract (“CDO”) promising 18% annual return compounded monthly.
5. Respondents represented this investment as a safe alternative to the low yields of financial products and volatility of the stock market.
6. On or about July 2, 2008, Roth sent to the Wisconsin investor a CDO promising interest at 18% annually with the investor would receiving 12 monthly payments of 1.5% each. The CDO was signed by G. Collins on behalf of LWA
7. Upon information and belief, on July 2, 2008, the investor sent \$5,000 from an IRA account to LWA’s account at J.P. Morgan Chase Bank as an initial investment.

8. Roth again contacted the Wisconsin investor on two more occasions soliciting additional investments. Investor sent the following funds from his IRA account:

- a. On July 29, 2008, investor wired \$5,000 to LWA at J.P. Morgan Chase Bank;
- b. On September 22, 2008, investor wired \$18,547.87 to LWA at J.P. Morgan Chase Bank.

9. The investment in a collateralized debt obligation contract as described above constitutes a security as that term is defined in §551.02(13), Wis. Stats.

10. The security described above has never been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.

11. Respondents have violated §551.21, Wis. Stats., by offering unregistered securities to an investor in Wisconsin.

12. In connection with the offers of CDO's to the Wisconsin investor, Roth acted as an agent for LWA, and upon information and belief received compensation from LWA for solicitations which resulted in purchases.

13. Roth has never been licensed as a securities agent in Wisconsin pursuant to Chapter 551 of the Wisconsin Statutes.

14. Roth has violated §551.31(1), Wis. Stats., by transacting business as a securities agent in Wisconsin without a license to do so.

15. Respondents Collins and LWA have violated §551.31(2), Wis. Stats., by employing an unlicensed securities agent to represent them in the offers of LWA CDO's to investors in Wisconsin.

16. In January of 2009, LWA stopped sending monthly interest payments to the Wisconsin investor, contrary to the representation in the CDO.

17. On February 12, 2009, investor sent a letter to LWA asking for immediate return of his original investment of \$28,547.87 and never received a response.

18. The CDO has matured, but the investor has not received the return of his principal as provided in the CDO.

19. Upon information and belief, respondents did not purchase any securities or CDO's with the money of the Wisconsin investor, but were running a Ponzi scheme.

20. Upon information and belief, to the extent that CDO's may have been purchased by LWA, the risks of such investments were not disclosed to the Wisconsin investor.

21. Prior to investing, the Wisconsin investor contacted three persons whose names and telephone numbers Roth had given as references. Upon re-contacting these persons, the Wisconsin investor found that these persons were fictitious and did not reside at those numbers.

22. Respondents have violated §551.41(2), Wis. Stats., in the sale of the CDO's by making a untrue statement of a material fact and omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

23. Respondents have violated §551.41(3), Wis. Stats., in the sale of the CDO's by engaging in an act, practice or course of business that operates or would operate as a fraud or deceit upon another person.

24. On February 18, 2009, the Alabama Securities Commission issued a Cease and Desist order against LWA and Collins for conduct similar to that alleged herein.

Therefore, the staff of the Bureau of Enforcement petitions the Administrator of the Division of Securities for the issuance of the attached order pursuant to Ch. 551, Wis. Stats.

Kathryn L. Denton 8/24/09
 Kathryn L. Denton Date
 Examiner
 Bureau of Enforcement

Leslie M. Van Buskirk 8/24/09
 Leslie M. VanBuskirk Date
 Attorney Supervisor
 Bureau of Enforcement