



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF)
)
MICHAEL REITHER, CRD #853363) Case No. AP-20-05
)
Respondent.)

**FINAL ORDER TO CEASE AND DESIST AND ORDER AWARDING RESTITUTION,
CIVIL PENALTIES, COSTS, AND OTHER ADMINISTRATIVE RELIEF**

Now on this 29th day of April, 2020, the Missouri Commissioner of Securities (“the Commissioner”), having reviewed this matter, issues the following findings and order:

I. PROCEDURAL BACKGROUND

1. On March 18, 2020, the Enforcement Section of the Missouri Securities Division of the Secretary of State (“the Enforcement Section”), through Enforcement Counsel Steven M. Kretzer, submitted a Petition for Order to Cease and Desist and Order to Show Cause Why Restitution, Civil Penalties, Costs, and Other Administrative Relief Should Not Be Imposed.
2. On March 20, 2020, the Commissioner issued an Order to Cease and Desist and Order to Show Cause Why Restitution, Civil Penalties, Costs, and Other Administrative Relief Should Not Be Imposed (“the Order”). On that same day, the Securities Office Manager sent a copy of the Order and Notice of Right to Request a Hearing, via U.S. Certified mail, return receipt requested, to Respondent Michael Reither (“Reither”) at 22959 East Smoky Hill Road, #L104, Aurora, Colorado 80015-6738.
3. On or about March 20, 2020, a copy of the Order was made available to the general public on the Missouri Secretary of State’s website.¹
4. On March 26, 2020, the Office of the Commissioner received the Certified mail return from the Order sent to Reither at 22959 East Smoky Hill Road, #L104, Aurora, Colorado 80015-6738 indicating the mail had been received by “J Reither”.

¹<https://www.sos.mo.gov/CMSImages/Securities/AP-20-05.pdf>

5. Respondent failed to request a hearing on the Order in compliance with 15 CSR 30-55.020 within the time allowed by Section 409.6-604.²
6. The Commissioner has not ordered a hearing in this matter pursuant to Section 406.6-604.

II. FINDINGS OF FACT

A. Respondent and Related Parties

7. First Allied Securities, Inc. (“FASI”), is a registered broker-dealer and investment adviser headquartered at 655 West Broadway, San Diego, California 92101, with a CRD number of 32444.
8. Respondent is a 65-year-old Colorado resident with a last known address at 22959 East Smoky Hill Road, Aurora, Colorado 80015-6702.
9. Within the Relevant Period, from October 31, 2014, through November 13, 2017, Respondent was a Missouri resident and registered investment adviser representative and broker-dealer agent, CRD number 853363, with FASI.
10. FASI terminated Respondent’s employment on November 13, 2017. According to the Uniform Termination Notice for Securities Industry Registration Form (“Form U5”) FASI filed in response to Respondent’s termination, the reason for Respondent’s termination was “not comply[ing] with the firm’s signature guarantee stamp requirements.”
11. Respondent relocated from Missouri to Colorado sometime between November 13, 2017, and January 31, 2018.

B. Enforcement Section’s Investigation

12. On July 23, 2019, the Enforcement Section opened an investigation concerning Respondent after receiving a complaint from a then 70-year-old Union, Missouri, resident (“MR”), alleging that Respondent, in the course of performing an Outside Business Activity (“OBA”) for MR, had stolen funds from MR.
13. According to the complaint, MR’s mother passed away in the early 2000s leaving MR with an inheritance of approximately \$1 million.
14. Shortly after MR came into his inheritance, MR’s barber referred MR to Respondent, who at the time was a registered broker-dealer agent and investment adviser representative at FFP Securities, Inc., CRD number 16337(“FFP Securities”).³
15. In August 2003, after contacting Respondent, MR opened an account at FFP Securities. The account listed Respondent as MR’s account executive.

² Unless otherwise noted, all statutory references are to the 2016 Revised Statutes of Missouri.

³ FFP Securities, Inc., would later merge into FASI in 2008.

16. On May 30, 2007, Respondent filed for personal bankruptcy in the United States Bankruptcy Court for the Eastern District of Missouri.
 - a. Respondent did not disclose the bankruptcy on his Form U4 until June 25, 2012, in violation of Article 5, Section 2 of the FINRA by-laws; and
 - b. it is unclear whether Respondent disclosed his 2007 bankruptcy to MR.
17. In 2009, while Respondent continued to act as account executive for MR's account at FASI, Respondent began performing, for compensation, certain personal services for MR — among other things, paying MR's bills, working on MR's taxes and writing (but not signing) checks from MR's bank and investment accounts on behalf of MR (altogether, "Services"). The impetus for such Services apparently arose from MR's increasing difficulty writing in longhand due to Parkinson's disease. It is unclear whether MR solicited the Services from Respondent or Respondent solicited to provide the Services to MR.
18. A review of CRD shows that Respondent did not provide any written notice to FASI of his OBA with MR in violation of FINRA Rule 3270.
19. Shortly after commencing the provision of Services to MR, Respondent, in 2009, redirected certain of MR's mail to Respondent's business address — the FASI office address at 8932 Watson Rd, St. Louis, Missouri 63119 — in contravention of FASI's internal policy prohibiting the holding of client mail at or redirecting client mail to a FASI office.
20. The Enforcement Section reviewed the activity in MR's PNC Bank account ending in #9164 for which Respondent had custody of the checkbook and found, during the Relevant Period, the following:
 - a. numerous checks written out to Respondent totaling \$46,839;
 - b. most checks written out to Respondent did not indicate the purpose while some indicated the purpose to be for bookkeeping, taxes, or bill paying; and
 - c. one check written out to Respondent purported to be a loan from MR to Respondent for \$1,500 on June 12, 2017, in that written on the memo line of the check was the word "LOAN".
21. According to FASI, there is no record of Respondent ever notifying FASI of the loan arrangement or prior written approval from FASI for Respondent to enter into the arrangement.
22. A review of the activity in Respondent's Montgomery Bank account ending in #8743 confirmed, during the Relevant Period, \$46,114 in deposited checks from MR's PNC Bank accounts. No payments from Respondent back to MR appeared in the records. It is

unknown where the additional \$725 not accounted for in deposits into Respondent's bank account.

23. On November 13, 2017, FASI terminated Respondent's employment.
 - a. a review of Respondent's Uniform Termination Notice for Securities Industry Registration (Form U5) cites the reason for Respondent's termination as "[Respondent] did not comply with the firm's signature guarantee stamp requirements.";
 - b. despite Respondent's termination from FASI, Respondent continued providing Services to MR until May 16, 2018; and
 - c. it is unclear whether Respondent disclosed the termination of his employment to MR.
24. At some point between November 13, 2017 and January 31, 2018, Respondent's residence changed from Missouri to Colorado.
25. The last check written from MR's to Respondent was for \$400 and dated May 16, 2018.
26. There is no evidence of Respondent providing any further Services to MR after May 16, 2018.
27. It is unclear whether Respondent returned MR's checkbook to MR.

C. Enforcement Section's Attempts to Contact Respondent

28. On September 24, 2019, and November 13, 2019, the Enforcement Section sent letters to Respondent's last known addresses via certified and regular mail. Respondent has not responded.
29. On October 31, 2019, and November 8, 2019, the Enforcement Section left messages at Respondent's last known telephone number. Respondent has not responded.
30. On November 8, 2019, the Enforcement Section sent an email to Respondent's last known email addresses requesting Respondent contact the Enforcement Section. Respondent has not responded.

III. CONCLUSIONS OF LAW

Multiple Violations of Dishonest and Unethical Practices

31. **THE COMMISSIONER CONCLUDES** that, pursuant to 409.4-412(d)(13), registered investment adviser representatives and broker-dealer agents are prohibited from engaging in dishonest or unethical practices.
32. The failure to report a loan from MR constitutes a violation of FINRA Rule 3240.

33. Respondent, by borrowing money from MR, who at the time of the arrangement was a client of agent Respondent, and without providing prior notice of the arrangement to FASI, and by failing to obtain prior written authorization from FASI to enter into such arrangement, engaged in a dishonest or unethical practice as defined under Section 409.4-412(d)(13) and 15 CSR 30-51.170(1)(V).
34. Respondent, by borrowing money from MR, who at the time of the arrangement was a client of investment adviser representative Respondent, and without providing prior notice of the arrangement to FASI, and by failing to obtain prior written authorization from FASI to enter into such arrangement, engaged in a dishonest or unethical practice, as defined under Section 409.4-412(d)(13) and 15 CSR 30-51.172(1)(G).
35. The Services provided by Respondent to MR constitute OBA under FINRA Rule 3270.
36. Respondent, by failing to provide prior written notice to FASI regarding Respondent's OBA for MR, engaged in a dishonest or unethical practice, as defined under Section 409.4-412(d)(13) and 15 CSR 30-51.170(1) (BB).
37. At the time Respondent engaged in the conduct set forth above, MR was more than 60-years-old and was an elderly person as that term is defined under Section 409.6-604(d)(3)(B).
38. Respondent's multiple dishonest and unethical practices in violation of Section 409.4-412(d)(13) constituted an illegal act, practice, or course of business and such conduct is therefore subject to the Commissioner's authority under Section 409.6-604.

IV. ORDER

NOW, THEREFORE, it is hereby ordered that Respondent be prohibited from violating or materially aiding in any violation of:

- A. Section 409.4-412(d)(13), by engaging in dishonest and unethical practices.

IT IS HEREBY ORDERED that, pursuant to Section 409.6-604(d), Respondent shall pay a civil penalty of \$10,000 for more than one violation of Section 409.4-412(d)(13) in that the violation was committed against an elderly person. This amount shall be made payable to the State of Missouri and paid within 30 days of the date of this Final Order. The Secretary of State shall forward these funds to the state treasury for the benefit of county and township school funds as provided in Article IX, Section 7 of the Constitution of Missouri. This amount shall be sent to the Missouri Securities Division at 600 West Main Street, P.O. Box 1276, Jefferson City, Missouri 65102.

IT IS FURTHER ORDERED that, pursuant to Sections 409.6-604(a)(2) and 490.6-604(a)(3), Respondent is permanently barred from acting as an investment adviser representative and broker-dealer agent.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), Respondent shall pay restitution in the amount of \$46,839, plus interest, calculated at the rate of eight percent annum from the dates set forth in Exhibit A attached to this Order (total amount including interest at the time of this order is \$58,925.78). This amount shall be made payable to the Missouri Secretary of State's Investor Restitution Fund, and the Commissioner will take reasonable and necessary actions to distribute such funds to the investor listed in Exhibit B. This amount shall be sent to the Missouri Securities Division at 600 West Main, P.O. Box 1276, Jefferson City, Missouri 65102, within 30 days from the date of this Final Order.


IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(e), Respondent shall pay \$2,604.25 in actual costs for investigation into, and the proceedings associated with, this matter. This amount shall be payable to the Missouri Secretary of State's Investor Education and Protection Fund and paid within 30 days of the date of this Final Order. This amount shall be sent to the Missouri Securities Division at 600 West Main, P.O. Box 1276, Jefferson City, Missouri 65102.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS 29th DAY OF APRIL, 2020.



JOHN R. ASHCROFT
SECRETARY OF STATE



DAVID M. MINNICK
COMMISSIONER OF SECURITIES

CERTIFICATE OF SERVICE

I hereby certify that on this 29th day of April, 2020, a copy of the foregoing Final Order to Cease and Desist and Order Awarding Restitution, Civil Penalties, Costs and Other Administrative Relief in the above styled case was **mailed via certified U.S. Mail to:**

Michael Reither
22959 East Smoky Hill Road, #L104
Aurora, Colorado 80015-6738

And sent via email to:

Steven M. Kretzer, Enforcement Counsel
Securities Division
Missouri Secretary of State's Office
600 West Main Street, Room 229
Jefferson City, Missouri 65101
Steven.Kretzer@sos.mo.gov


Laurie Dawson
Securities Office Manager