

STATE OF NEW JERSEY
BUREAU OF SECURITIES
153 Halsey Street
P.O. Box 47029
Newark, New Jersey 07101

IN THE MATTER OF: :

SCOTT NEWSHOLME :

CRD# 3062837 :

: :

CONSENT ORDER

BEFORE LAURA H. POSNER, BUREAU CHIEF

Pursuant to the authority granted to Laura H. Posner, Bureau Chief of the New Jersey Bureau of Securities (“Bureau Chief”), under the Uniform Securities Law (1997), N.J.S.A. 49:3-47 et seq. (“Securities Law”), and after investigation, careful review, and due consideration of the facts and statutory provisions set forth below, the Bureau Chief hereby finds that there is good cause and it is in the public interest, and to preserve resources, to enter into an Administrative Consent Order (“Consent Order”) with Scott Newsholme (“Newsholme”), and Newsholme hereby agrees to resolve any and all issues in controversy regarding the specific conduct described herein on the terms set forth in this Consent Order.

WHEREAS, the New Jersey Bureau of Securities (the “Bureau”) is the State agency with the responsibility to administer and enforce the Securities Law;

WHEREAS, N.J.S.A. 49:3-67 authorizes the Bureau Chief from time to time to issue such Orders as are necessary to carry out the provisions of the Securities Law, upon a finding that the action is necessary and appropriate in the public interest or for the

protection of investors or consistent with the purposes fairly intended by the provisions of the Securities Law;

WHEREAS, the Bureau has conducted an investigation into certain activities of the Respondents as set forth in this Consent Order;

WHEREAS, Newsholme and the Bureau Chief wish to resolve these issues without the expense and delay that formal proceedings would involve;

WHEREAS, Newsholme's client, T.L.B. complained to Royal Alliance Associates, Inc. ("RAA") about Newsholme's conduct which resulted in a mediation and settlement pursuant to which RAA paid T.L.B. fifty-five thousand dollars (\$55,000.00);

WHEREAS, Newsholme consents to the form, content, and entry of this Consent Order. Accordingly, Newsholme waives the following rights:

- a. To be afforded an opportunity for hearing on the Bureau Chief's findings of fact and conclusions of law in this Consent Order; and
- b. To seek judicial review of, or otherwise challenge or contend, the validity of this Consent Order;

WHEREAS, Newsholme agrees that solely for the purposes of settling this matter, or any future proceedings by the Bureau solely related to the conduct herein, this Consent Order shall have the same effect as if proven and ordered after a full hearing held pursuant to N.J.S.A. 52:14B-1 et seq.; and

WHEREAS, this Consent Order concludes the investigation and action by the Bureau Chief and any civil or administrative action that could be commenced, pursuant to the Securities Law, on behalf of the Bureau Chief, as it relates to seeking civil monetary



penalties or other relief against the Respondent for the specific conduct described herein solely as it relates to Respondent.

The Bureau Chief makes the following findings of fact and conclusions of law, which Respondent admits:

FINDINGS OF FACT

1. Newsholme (CRD# 3062837), residing in Freehold, New Jersey, has been registered with the Bureau as an agent of various broker-dealers since May 1998.

2. SII Investments, Inc. (CRD# 2225) (“SII”) has been registered with the Bureau as a broker-dealer since January 22, 1997. SII has a principal place of business of 5555 Grande Market Drive, Appleton, Wisconsin, 54913.

3. RAA (CRD# 23131) has been registered with the Bureau as a broker-dealer since May 1, 1989. RAA has a principal place of business of One World Financial Center, 15th Floor, New York, New York, 10281.

4. From May 1998 through December 2008, Newsholme was registered with the Bureau as an agent of RAA. From December 2008 through July 2014, Newsholme was registered with the Bureau as an agent of SII. On or around July 22, 2014, SII terminated Newsholme’s employment for violating SII’s policies and engaging in prohibited activities.

5. From 2002 through 2010, Newsholme was also employed by Newley Financial Group Inc. (“Newley Financial”), a New Jersey corporation formed in 2002. Newley Financial is currently non-operational and was located at 99 Main Street, Matawan, New Jersey, 07747. Through Newley Financial, Newsholme provided tax preparation and accounting services.

6. Since 2010, Newsholme has been the majority owner of, and employed by, Newsholme Financial Center LLC (“Newsholme Financial”), a New Jersey limited liability company formed in 2010 that holds itself out as a tax preparation and accounting services firm. Newsholme Financial is located at 100 Matawan Road, Suite 340, Matawan, New Jersey 07747.

Newsholme’s Investment Dealings with T.L.B.

7. T.L.B. is a resident of Kentucky and sixty-one (61) years old. T.L.B. resided in New Jersey from 2002 until May 2004. T.L.B. has little to no investment experience.

8. Newsholme and T.L.B. met in 2002. Shortly thereafter, T.L.B. became a client of Newley Financial’s tax preparation services.

9. In or about 2003, Newsholme sold T.L.B. a variable annuity policy for \$146,000.00 (the “Annuity Policy”).

10. In 2007, Newsholme instructed T.L.B. to surrender the Annuity Policy. On July 17, 2007, T.L.B. officially surrendered the Annuity Policy. T.L.B. subsequently received a check in the amount of \$141,321.44 (the value of the Annuity Policy at the date of surrender).

11. After the Annuity Policy’s surrender, Newsholme personally visited T.L.B. in Kentucky and instructed her to issue two checks, each paid to the order of Newley Financial, in the amounts of (i) \$100,000.00 (dated July 24, 2007) and (ii) \$40,000.00 (dated August 2, 2007).

12. On July 27, 2007, Newsholme personally cashed the \$100,000.00 check at a check cashing store.

13. On or around November 4, 2013, Newsholme sent a letter to T.L.B. falsely indicating that T.L.B. held an IRA account at SII (the "IRA Account") with a then-current value of \$203,449.00. T.L.B., in fact, never held any such account at SII.

14. On four separate occasions, Newsholme sent T.L.B. fabricated account statements, which falsely stated that her IRA Account was invested in four exchange-traded mutual funds. The fabricated statements falsely stated that the IRA Account's balance, at various times from December 31, 2011 through July 31, 2012, ranged from \$163,447.36 to \$179,948.21.

FINRA'S Permanent Bar of Association

15. FINRA sent letters dated August 12, 2014 and September 15, 2014 to Newsholme, requesting documents and information relating to a complaint that T.L.B. filed with FINRA. The complaint alleged that Newsholme converted T.L.B.'s funds while he was an RAA agent and that he falsely represented that T.L.B.'s account was held with SII.

16. Newsholme failed to respond to FINRA's requests for documents and information. As a result, on September 26, 2014, FINRA issued Newsholme a Notice of Suspension Letter pursuant to FINRA Rule 9552. The Notice of Suspension Letter advised Newsholme that failure to comply with FINRA's requests would result in a suspension from associating with any FINRA member in any capacity, effective October 21, 2014.

17. FINRA issued Newsholme a Suspension from Association Letter dated October 22, 2014, citing Newsholme's failure to provide any information pursuant to the initial requests. The Suspension from Association Letter stated that if Newsholme failed

to request termination of his suspension within three months of the date of the Notice of Suspension Letter, he would be automatically and permanently barred from associating with any FINRA member in any capacity.

18. FINRA permanently barred Newsholme from association with any FINRA member in any capacity, pursuant to FINRA Rule 9552(h), on December 30, 2014.

CONCLUSIONS OF LAW

NEWSHOLME MADE UNTRUE STATEMENTS OF MATERIAL FACT OR
OMITTED TO STATE A MATERIAL FACT NECESSARY IN ORDER TO MAKE
THE STATEMENTS MADE, IN LIGHT OF THE CIRCUMSTANCES UNDER
WHICH THEY WERE MADE, NOT MISLEADING
N.J.S.A. 49:3-52(b)

19. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

20. Pursuant to N.J.S.A. 49:3-52:

It shall be unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly (b) [t]o make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading ...

21. As more fully described above, Newsholme made materially false and misleading statements and/or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading to T.L.B., in connection with the IRA Account.

22. Each omission or materially false or misleading statement was in violation of N.J.S.A. 49:3-52(b).

23. Each violation of N.J.S.A. 49:3-52(b) by Newsholme is deemed a separate violation of the Uniform Securities Law and is cause for the imposition of a civil monetary penalty for each separate violation pursuant to N.J.S.A. 49:3-70.1.

NEWSHOLME IS THE SUBJECT OF AN ORDER OF A SELF-REGULATORY
ORGANIZATION EXPELLING HIM FROM A NATIONAL
SECURITIES ASSOCIATION

N.J.S.A. 49:3-58(a)(1)
N.J.S.A. 49:3-58(a)(2)(vi)

24. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

25. Pursuant to N.J.S.A. 49:3-58(a):

The bureau chief may by order deny, suspend, or revoke any registration if [she] finds: (1) that the order is in the public interest; and (2) that the applicant or registrant ... (vi) ... is the subject of an order of ... a self-regulatory organization ... suspending or expelling him from a national securities or commodities exchange or national securities or commodities association ...

26. Having been permanently barred from association with any FINRA member in any capacity effective December 30, 2014, Newsholme has effectively been expelled from a national securities association. This is cause, pursuant to N.J.S.A. 49:3-58(a)(2)(vi) to revoke Newsholme's registration.

27. Based upon the foregoing, the revocation of Newsholme's registration as an agent is in the public interest and necessary for the protection of investors.

NEWSHOLME ENGAGED IN DISHONEST OR UNETHICAL BUSINESS
PRACTICES IN THE SECURITIES INDUSTRY

N.J.S.A. 49:3-58(a)(1)
N.J.S.A. 49:3-58(a)(2)(vii)
N.J.A.C. 13:47A-6.3(a)

28. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

29. Pursuant to N.J.S.A. 49:3-58(a):

The bureau chief may by order deny, suspend, or revoke any registration if [she] finds: (1) that the order is in the public interest; and (2) that the applicant or registrant ... (vii) has engaged in dishonest or unethical practices in the securities, commodities, banking, insurance or investment advisory business ...

30. Pursuant to N.J.A.C. 13:47A-6.3(a):

“Dishonest or unethical practices” as used in N.J.S.A. 49:3-47 et. seq., specifically in ... N.J.S.A. 49:3-58(a)(2)(vii), shall include ... (31) Engaging in any material misrepresentation or omission or engaging in deceitful, deceptive or fraudulent conduct involving any aspect of the securities, banking, insurance, investment advisory or commodities futures industries...

31. Newsholme engaged in dishonest or unethical practices through deceitful, deceptive and fraudulent conduct in connection with the IRA Account. This conduct included Newsholme making a series of material misrepresentations and omissions to T.L.B., both written and orally, that the IRA Account existed, when, in fact, it did not. Not only did Newsholme falsely claim that he had invested T.L.B.’s funds into mutual funds, Newsholme assigned fictitious values to the IRA Account in a series of account statements he fabricated and sent to T.L.B.

32. Newsholme engaged in dishonest or unethical practices by cashing a check T.L.B. had intended to be used for purchases of securities and not purchasing the securities with the funds.

33. This is cause, pursuant to N.J.S.A. 49:3-58(a)(2)(vii) to revoke Newsholme’s registration. Further, this is cause, pursuant to N.J.S.A. 49:3-70.1 to assess civil monetary penalties against Newsholme.

34. Based upon the foregoing, the revocation of Newsholme's registration as an agent is in the public interest and necessary for the protection of investors.

THEREFORE, it is on this 24th day of June, 2015, hereby **AGREED** and **ORDERED that:**

35. Scott Newsholme's agent registration is **REVOKED**;

36. Scott Newsholme is assessed a civil monetary penalty in the amount of thirty-five thousand dollars (\$35,000);

37. Scott Newsholme shall pay restitution in the amount of eighty-five thousand dollars (\$85,000);

38. Both the civil monetary penalty and restitution are immediately due and payable to "State of New Jersey, Bureau of Securities", 153 Halsey Street 6th Floor, Newark NJ 07102. The civil monetary penalty payment shall be deposited in the Securities Enforcement Fund, pursuant to N.J.S.A. 49:3-66.1;

39. Scott Newsholme be **DENIED** all exemptions contained in N.J.S.A. 49:3-50 subsection (a) paragraph 9, 10, and 11 and subsection (b); and

40. The exemptions to the registration requirements provided by N.J.S.A. 49:3-56(b), N.J.S.A. 49:3-56(c), and N.J.S.A. 49:3-56(g) are hereby **REVOKED** as to Scott Newsholme.

ADDITIONAL PROVISIONS

41. Nothing in this Consent Order shall in any matter be construed to limit or affect the rights of any persons who may have a claim against Newsholme.

42. Newsholme shall not represent or imply that any business practice or other act or practice hereinafter used or engaged in by Newsholme has been required or approved, in whole or in part, by the Attorney General of New Jersey, the Bureau, the State of New Jersey or any of the State's agencies, agents or subdivisions.

43. If any portion of this Consent Order is held invalid or unenforceable by operation of law or court order, the remaining terms of this Consent Order shall remain in full force and effect.

44. Nothing contained herein shall be in any manner be construed to limit or affect any position that the Bureau Chief may take in settlement with any other party.

45. Nothing in this Consent Order is intended to limit or supersede any authority or remedy available to the Bureau Chief under the Securities Law.

46. No employee or official of, or person representing, the New Jersey Bureau of Securities has made any additional promise or representation to Newsholme regarding this Consent Order.

47. This Consent Order shall not bind any person not a party hereto. Each of the undersigned has read this Consent Order, understands it, and agrees to be bound by its terms.

48. This Consent Order constitutes the entire agreement between Newsholme and the Bureau Chief.

49. Newsholme agrees that solely for the purpose of settling this matter or any future proceedings to enforce this Consent Order, that this Consent Order shall have the same effect as if proven and ordered after a full hearing.



Laura H. Posner
Chief, Bureau of Securities

Dated: 6-15-15



Scott Newsholme