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STATE OF NEW JERSEY
OFFICE OF ADMINISTRATIVE LAW
OAL DOCKET NO.: BOS 04824-2015N

In the Matter of:

Ronald Paul Rafaloff
(CRD # 1045883)

ADMINISTRATIVE CONSENT ORDER

This matter was commenced on March 13, 2015, through the entry of a Summary Revocation and Penalty Order (“Summary Order”) by the Chief of the New Jersey Bureau of Securities, Laura H. Posner (“Bureau Chief”), against Respondent Ronald Paul Rafaloff (“Rafaloff”), setting forth violations of the New Jersey Uniform Securities Law (1997), N.J.S.A. 49:3-47 et seq. (“Securities Law”), assessing Respondent Rafaloff civil monetary penalties in the amount of Two Hundred Thousand Dollars (\$200,000) for Rafaloff’s violations of N.J.S.A. 49:3-52(b), N.J.S.A. 49:3-54, and N.J.S.A. 49:3-58; denying Rafaloff all exemptions in N.J.S.A. 49:3-50 subsection (a) paragraphs 9, 10 and 11 and subsection (b); and revoking as to Rafaloff the exemptions to the registration requirements provided by N.J.S.A. 49:3-56(c) and N.J.S.A. 49:3-56(g).

In response to the Summary Order, Respondent Rafaloff submitted to the New Jersey Bureau of Securities (“Bureau”) a written answer to the Summary Order and a written request for a hearing.

The Bureau transmitted this contested case to the Office of Administrative Law (“OAL”) on April 9, 2015.

The Bureau Chief hereby finds that there is good cause, it is in the public interest, and it will preserve resources, to settle this matter. Respondent Rafaloff also desires to settle with the Bureau. Accordingly, the Bureau and Respondent Rafaloff hereby agree to settle this matter under the full terms of settlement in this Administrative Consent Order (“Consent Order”) pursuant to N.J.A.C. 1:1-19.1. Respondent Rafaloff consents to the entry of this Consent Order, voluntarily waives an opportunity for a hearing after reasonable notice within the meaning of N.J.S.A. 49:3-69(a)(1)(i) and (ii), and waives any rights to seek judicial review, or otherwise challenge or contest, the validity of this Consent Order.

The Bureau Chief makes the following findings of fact and conclusions of law, which Respondent Rafaloff neither admits nor denies:

FINDINGS OF FACT

Background

1. Respondent Rafaloff (CRD #1045883), residing in Queens, New York, was most recently registered with the Bureau as an agent of Liberty Partners Financial Services, LLC (“Liberty Partners” or “Firm”) (CRD # 130390), on August 4, 2010. Prior to August 4, 2010, Rafaloff was registered with the Bureau commencing in 1983, and at times thereafter as an agent of various broker-dealers.

2. Rafaloff was terminated by Liberty Partners on or about March 4, 2013. Liberty Partners subsequently reported Rafaloff’s termination on the Central Registration Depository (“CRD”) by filing a U5 Uniform Termination Notice for Securities Industry Registration dated March 12, 2013 (the “U5”).

3. According to the U5, Liberty Partners terminated Rafaloff after Liberty Partners received a telephone call from a private detective representing investor CR¹ regarding Rafaloff's involvement in selling unapproved products. Rafaloff admitted to Liberty Partners that he engaged in selling away.

4. Private Consulting, LLC, located in Glen Cove, New York, was formed on or about June 5, 2009, in the State of New York and operated under the name PVT Consulting LLC ("PVT").

5. Rafaloff was a member and manager of PVT, held a 50% ownership interest in the company, provided services to PVT and was a signatory on PVT's bank account.

6. PVT purported to be in the "Independent Sales Organization (ISO) in the Credit Card Processing Industry identifying, screening, contracting, and servicing commercial users of credit card processing services."

7. Merchant Capital and Credit LLC ("Merchant Capital"), located in New York, New York, was formed on or about April 6, 2011, in the State of Nevada.

8. Rafaloff's son, E.R., was the sole member of Merchant Capital upon its formation.

9. Merchant Capital purported to be an "Independent Sales Organization (ISO) in the Cash Advance Credit Card Processing Industry identifying, screening, contracting, and servicing commercial users of credit card processing services as well as offering them the opportunity for cash advances against their credit card receipts."

10. On or about April 8, 2011, Rafaloff and E.R. opened a bank account for Merchant Capital. They were both listed as signatories on the account and Rafaloff was designated as Merchant Capital's office manager on the account opening documents.

¹ The defrauded investor is referred to as "CR" throughout this Order.

11. On or about May 26, 2011, Elliot Seidman was added as a signatory of Merchant Capital's bank account and designated as Merchant Capital's "Office Administrator" on the bank's Business Account and Signers Form.

12. Factoring Resources LLC ("Factoring Resources"), located in New York, New York was formed on or about August 16, 2011, in the State of Nevada.

13. According to its Articles of Organization, Rafaloff was the sole managing member and he later identified himself as the President of Factoring Resources.

14. Factoring Resources purported to be a "marketing and sales Organization in the Factoring and Cash Advance Industry identifying, screening, contracting, and servicing commercial businesses with accounts receivables [,]" among other things.

15. On or about August 24, 2011, Rafaloff opened a bank account for Factoring Resources and was the signatory on the account. On or about September 18, 2011, Morris Resner was added as a signatory on the account and was identified as the Chief Financial Officer of Factoring Resources on bank documents.

Investor CR

16. CR is an elderly retiree, age 79, and a long-time acquaintance of Rafaloff. CR and her mother met Rafaloff in or around 1982, while he was associated with a broker-dealer and provided financial services to them.

17. In August 2010, when Rafaloff became associated with Liberty Partners, CR transferred her brokerage account to Liberty Partners. CR was Rafaloff's sole client while he was associated with Liberty Partners.

18. During their decades-long relationship, Rafaloff befriended CR and took her out to dine and shop, accompanied her to medical appointments, and ran errands with and for CR. CR trusted Rafaloff and was advised by Rafaloff on investment and personal matters.

Rafaloff's Fraudulent Offer and Sale of Securities

19. In or about January 2011 through November 2012 ("Relevant Period"), Rafaloff, while registered with the Bureau as an agent of Liberty Partners, fraudulently offered and sold securities to CR in the form of investment contracts ("Securities") issued by PVT, Merchant Capital and Factoring Resources ("Rafaloff Companies").

20. Rafaloff falsely represented to CR that he was providing consulting services to the Rafaloff Companies. He did not disclose that he founded, caused to be founded and/or controlled the Rafaloff Companies, and had access to their bank accounts.

21. CR gave Rafaloff thirteen (13) checks in amounts totaling \$405,000 to purchase the Securities in the Rafaloff Companies during the Relevant Period.

22. Rafaloff told CR that these were "good investments," but that she should not tell anyone about them. He also told CR that the investments "would allow" her to join the "Jewish Club."

23. CR was the only investor in the Rafaloff Companies during the Relevant Period.

24. Rafaloff provided CR with a written investment contract in connection with six (6) of the eight (8) investments ("Investment Contracts"). The six (6) Investment Contracts represented \$340,000 of the \$405,000 investment funds.

25. Each Investment Contract stated that capital invested in the designated Rafaloff Company would be used "to expand its customer base to increase its residuals" and for "general corporate purposes."

26. Each Investment Contract stated that CR would receive consecutive monthly installment payments of her principal for a maximum of 36 months, and a projected percentage of each company's capital appreciation at the end of the agreement term, calculated yearly based on the monthly fees or "residuals" received by each company. CR was to receive returns called "capital appreciation" of 30% to 40% or more.

27. The Investment Contracts, both written and oral, are included in the definition of a security in N.J.S.A. 49:3-49(m).

28. None of the Rafaloff Companies had sufficient capital or revenues to return the principal and promised rates of returns to CR that the Investment Contracts promised CR.

Rafaloff's Personal Guarantees

29. Rafaloff gave CR written personal guarantees in connection with the sale of certain of the Securities ("Personal Guarantees). For each written Factoring Resources Investment Contract, Rafaloff gave CR the Personal Guarantees on or about the same time as the issuance of the Investment Contracts. The written Personal Guarantees for the PVT and Merchant Capital Investment Contracts were given to CR months after Rafaloff gave her the written Investment Contracts.

30. Each Personal Guarantee was signed by Rafaloff and stated that he guaranteed to CR "the prompt, full, and complete performance of all existing duties" of the company "and the payment of any and all indebtedness due to" CR up to a designated amount. Rafaloff also personally guaranteed that each company would "promptly pay the full amount of principal and interest" and waived any defenses, or counterclaims or offsets for any claim for payment.

Rafaloff's Failure to Pay CR

31. CR received approximately \$104,900 from her investments in the Rafaloff Companies, most of which was CR's own money given back to her from her principal investment funds.

Use of Funds in the Rafaloff Companies' Bank Accounts

32. CR's investment funds deposited into the Rafaloff Companies' bank accounts were commingled with other funds that were transferred between the Rafaloff Companies' bank accounts. Additionally, numerous cash deposits were made into the Rafaloff Companies' bank accounts. At all times, the majority of funds deposited in the Rafaloff Companies' bank accounts were CR's investment funds.

33. Rafaloff wrote checks to himself from the PVT bank account totaling approximately \$46,300, after CR invested \$55,000 in PVT. ATM cash withdrawals were made from the PVT account, totaling approximately \$4,643.

34. CR invested a total of \$60,000 in Merchant Capital. Merchant Capital issued checks to Rafaloff totaling approximately \$33,252.47. ATM cash withdrawals were made from the Merchant Capital bank account totaling approximately \$7,660.

35. CR invested a total of \$290,000 in Factoring Resources. Rafaloff wrote checks made to himself from the Factoring Resources' bank account totaling approximately \$155,115. Checks were written to cash totaling approximately \$2,291. ATM cash withdrawals were made from the Factoring Resources' bank account totaling approximately \$45,147.

36. In total, checks totaling approximately \$234,667.47 were issued from the Rafaloff Companies' bank accounts to Rafaloff, checks totaling approximately \$2,291 were issued to cash from the Rafaloff Companies' bank accounts and ATM cash withdrawals of \$57,450 were made

from the Rafaloff Companies' bank accounts. These checks and ATM withdrawals totaled \$294,408.47.

**Rafaloff's Material Misrepresentations and Omissions of Material Facts
in the Offer and Sale of the Securities**

37. Rafaloff made material representations and omissions of material facts to CR in connection with the offer and sale of the Securities.

38. Rafaloff's material misrepresentations include:

- a. CR's investment funds would be used "to expand [the Rafaloff Companies'] customer base to increase its residuals" and/or "fees" and "for general corporate purposes;"
- b. CR would receive returns on her investments of between 30% and more than 40% per annum;
- c. CR's investments in the Securities were "good" investments; and
- d. Rafaloff acted as a consultant to the Rafaloff Companies in the offer and sale of the Securities to CR.

39. Rafaloff omitted to state the following material facts:

- a. CR's funds would be commingled and used to fund checks from the Rafaloff Companies' bank accounts, signed by Rafaloff and others and payable to Rafaloff, totaling approximately \$234,667.47;
- b. CR's funds would be commingled and used for ATM cash withdrawals from the Rafaloff Companies' bank accounts totaling approximately \$57,450;
- c. CR's funds would be commingled and used to fund checks were written to cash from the Rafaloff Companies' bank accounts totaling approximately \$2,291;

- d. Rafaloff founded, co-founded and/or controlled the Rafaloff Companies;
- e. Rafaloff was a signatory to and had access to the Rafaloff Companies' bank accounts;
- f. Merchant Capital was formed on April 6, 2011 the same day that CR dated her checks to purchase the Security;
- g. Factoring Resources was not incorporated at the time that Rafaloff offered and sold CR a Factoring Resources Security; and
- h. Risks of CR's purchase of Securities in the Rafaloff Companies.

Rafaloff's Private Securities Transactions

40. N.J.A.C. 13:47A-6.3² defines dishonest or unethical practice to include agents of broker-dealers, effecting securities transactions not recorded on the regular books and records of the broker-dealer unless the transactions are authorized by the broker-dealer in writing prior to execution.

41. Liberty Partners' Written Supervisory Procedures Manuals in effect in May 2010 ("2010 Procedures") state: "The annual attestation will . . . state that [the] registered representative understands and will comply with the prohibition of private securities transactions."

42. The "2010 Procedures" state that "an associated person is prohibited from engaging in private securities transactions unless [certain] steps are taken." Such steps include written notice to Liberty Partners and a written response from the Firm approving or disapproving "the associated person's participation in the transaction."

² All references in this Administrative Consent Order to Title 13, Chapter 47A, Bureau of Securities, of the New Jersey Administrative Code are confined to N.J.A.C. 13:47A-1.1 – 14.16 (2008). Chapter 47A was revised effective July 17, 2015 and such revised regulations are not referenced herein.

43. The 2010 Procedures state that “[i]f the person is approved to participate the Firm . . . shall supervise the associated person’s participation in the transaction as if the Firm executed the transaction.”

44. The 2010 Procedures further state “[i]f the associated person is disapproved from participating in the transaction the associated person will not participate directly or indirectly with the transaction. All transactions conducted by registered representative will be reviewed and disclosed to the Firm.”

45. Liberty Partners’ Written Supervisory Procedures Manuals dated January 2011, and November 19, 2012 (“2011 and 2012 Procedures”) state, “[E]mployees who intend to engage in private securities transactions (as defined by NASD Rule 3040), whether or not there is compensation paid for effecting the transaction [are] required to request . . . prior approval. Private securities transactions are defined by FINRA as any securities transactions outside the regular course or scope of an employee’s employment with the Firm (sometimes referred to as ‘selling away.’)”

46. According to the 2011 and 2012 Procedures, an associated person must request and receive pre-approval before engaging in any private securities transactions. Pre-approval was necessary for both the transactions and products themselves.

47. Rafaloff did not seek approval from Liberty Partners to offer and sell the Securities to CR in violation of the Procedures.

48. On May 30, 2011, and November 9, 2012, Rafaloff signed his 2011 and 2012 Annual Certifications (“Annual Certifications”) which included the following question regarding private securities transactions:

Have you engaged in any Private Securities Transactions during the past year? These include any outside securities transactions conducted beyond the course and scope of the firm such as limited partnership interests, non-traded REITS

etc. and any direct or indirect paid compensation involving the purchase or sale of a security to include commissions, finder's fee, tax benefits warrants, expense reimbursements, etc. If yes, please complete the attached questionnaire.

49. Rafaloff falsely answered the above question by stating that he did not engage in private securities transactions.

Undisclosed Business Activity

50. N.J.S.A. 49:3-54 and N.J.S.A. 49:3-58(a)(2)(i) prohibit agents of broker-dealers from making misrepresentations, omitting a required document or material fact or making an incomplete application for registration with the Bureau.

51. The 2010 Procedures and 2011 and 2012 Procedures (collectively "Procedures") state that "[e]mployees are required to disclose to the Firm, in writing, any outside business activities ('OBA') prior to engaging in such activity."

52. The Procedures further stated that registered representatives "conducting outside business activities shall disclose . . . [the] [n]ame of the outside employer or association, address, phone number, and contact person. [The] [n]ature of Activity or association and Duties . . . [The] [t]ime spent on the activity . . . ; and [The] [t]erms and type of compensation. . . ."

53. The Procedures stated that the registered representative's disclosure of OBA "will be made no less than annually and on a form prescribed by the Firm. No registered representative shall be employed by, or accept compensation from any other person as a result of any business activity without prior written approval from the Firm."

54. Rafaloff did not notify Liberty Partners of his outside business activity with the Rafaloff Companies.

55. In his application for employment with Liberty dated August 2, 2010, Rafaloff failed to disclose his PVT outside employment, business and compensation.

56. On May 30, 2011, and November 9, 2012, Rafaloff signed his 2011 and 2012 Annual Certifications which included the following question regarding OBA:

Are you engaged in any outside business activity, and/or do you serve as an officer, director, or employee of another business organization? Outside activities include outside employment, acting as a general partner, finder, director, referrer, or any activity outside of usual responsibilities at the Firm. Compensation includes salaries, director's fees, referral fees, stock options, finder's fees, and anything of present or future value.

57. Rafaloff falsely responded to the above question in the negative and failed to amend his Certifications, and thereby failed to disclose his outside employment, business and compensation.

Rafaloff's Material Misrepresentation on His Registration

58. Pursuant to N.J.A.C. 13:47A-3.1, "[a]ny person desiring to act in the State of New Jersey as an agent of a broker-dealer registered in New Jersey via the CRD shall file an application for registration as an agent with the CRD on the Form U4 . . ."

59. Item 13 of the Form U4, which is to be filed through the CRD, asks, "[a]re you currently engaged in any other business either as a proprietor, partner, officer, director, employee, trustee, agent or otherwise?" In addition, the Form U4 disclosure item requests information about engaging in another business, including the name, address and nature of the business, whether such business is investment-related, the individual's position, title, duties, start date and relationship with the other business, the approximate number of hours/month devoted to the other business, and the number of hours devoted to the other business during securities trading hours.

60. The Form U4 further states that should any changes occur relating to answers previously reported, individuals "agree to update [Form U4] by causing an amendment to be filed on a timely basis whenever changes occur to answers previously reported. Further [the individuals]

represent that, to the extent any information previously submitted is not amended, the information in this form is currently accurate and complete.”

61. N.J.A.C. 13:47A-3.2 requires that: “[a] registered agent shall file an amendment with the CRD, by filing or updating a Form U4 . . . whenever a change in the answers on his or her original application occurs . . .”

62. Despite the requirement to disclose his other business, Rafaloff falsely stated in the Form U4 upon its initial filing that he did not engage in any other business when, in fact, he did engage in such other business by and through PVT. Rafaloff further omitted material facts by failing to update the U4 to disclose his other business in Merchant Capital and Factoring Resources.

FINRA Bar from Association

63. On or about June 16, 2014, FINRA filed Disciplinary Proceeding Number 20130336261002 against Rafaloff.

64. In that Disciplinary Proceeding, FINRA alleged, among other things, that while an agent of Liberty Partners, Rafaloff engaged in private securities transactions with CR who invested \$405,000 in the Rafaloff Companies that he controlled, and thereafter withdrew certain funds from the Companies and converted them to his use.

65. FINRA additionally alleged that Rafaloff never advised Liberty Partners that he ever sought approval from the Firm to engage in private securities transactions with CR to participate in any OBA with the Rafaloff Companies and falsely represented to Liberty Partners that he was not engaged in such activities.

66. An Order Accepting Offer of Settlement was entered on February 3, 2015.

67. The FINRA Order contained findings that Rafaloff consented to without admitting or denying, that included the following:

- a. Rafaloff, while associated with Liberty Partners introduced and discussed investing in three companies with CR, his sole client and an elderly investor. Rafaloff promised CR exorbitant returns and she invested \$405,000 in her retirement savings to companies he controlled. He then withdrew funds from the companies and converted them to his personal use in violation of FINRA Rules 2150(a) and 2010;
- b. Rafaloff provided CR with written guarantees in connection with her \$340,000 of her investment, in which he agreed to personally make payments to CR pursuant to the terms of the written investment contracts in the event of default in violation of FINRA Rules 2150 (b) and 2010;
- c. Rafaloff engaged in private securities transactions without prior written notice to Liberty Partners in violation of NASD Rule 3040 and FINRA Rule 2010;
- d. Rafaloff conducted outside business activities while associated with a FINRA-registered firm in violation of FINRA Rules 3270 and 2010;
- e. Rafaloff made false statements to his FINRA-registered firm employer in his annual compliance questionnaires regarding his engagement in private securities transactions and outside business activities in violation of FINRA Rule 2010; and
- f. Rafaloff made misrepresentations to FINRA staff during the investigation resulting in this Order in violation of FINRA Rules 8210 and 2010.

68. Based on the foregoing, on June 16, 2014, Rafaloff was permanently barred by FINRA from associating with any FINRA-registered firm in any and all capacities.

69. CR filed a Statement of Claim against Liberty Partners, its control entity and control personnel and its agent Rafaloff in the Arbitration Tribunal of FINRA, FINRA Case No. 2013-2351.

On or about December 2014, CR and Liberty Partners and its control entity and control personnel agreed to resolve all claims between them for \$89,500, without admitting any fault or liability.

CONCLUSIONS OF LAW

The Bureau Chief makes the following conclusions of law:

RAFALOFF MADE UNTRUE STATEMENTS OF MATERIAL FACT OR OMITTED TO STATE MATERIAL FACTS NECESSARY 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)

70. The preceding paragraphs are incorporated into this conclusion of law as though set forth verbatim herein.

71. Rafaloff made materially false and misleading statements and/or omitted to state material facts necessary to make the statements made in light of the circumstances under which they were made, not misleading to CR in connection with the offer and sale of the Securities, as fully described above.

72. Each omission or materially false statement was in violation of N.J.S.A. 49:3-52(b). Each violation of N.J.S.A. 49:3-52(b) by Rafaloff is a separate violation of the Securities Law and is cause for the imposition of civil monetary penalties pursuant to N.J.S.A. 49:3-70.1.

RAFALOFF ENGAGED IN DISHONEST OR UNETHICAL PRACTICES IN THE SECURITIES BUSINESS
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), N.J.A.C. 13:47A-6.3(a)(30),
and N.J.A.C. 13:47A-6.3(a)(34)

73. The preceding paragraphs are incorporated by reference into this conclusion of law as though set forth verbatim herein.

74. Pursuant to N.J.S.A. 49:3-58(a): "The bureau chief may by order deny, suspend, or revoke any registration if he 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 . . . business, as may be defined by the rule of the bureau chief.”

75. 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 (28) [f]ailing to comply with any applicable provision of the Conduct Rules of FINRA or any applicable fair practice or ethical standard promulgated by the SEC or by a self-regulatory organization which relate to honesty and fair dealings and just and equitable principles of trade . . . (30) [m]aking any misrepresentation or omission of a material fact or otherwise employing any form of concealment or deception in connection with the offer, sale, purchase or negotiation of any securities. . . . (34) . . . effecting securities transactions not recorded on the regular books or records of the broker-dealer which the agent represents, unless the transactions are authorized by the broker-dealer prior to execution of the transaction”

76. Rafaloff engaged in dishonest or unethical practices in the securities business by: (1) selling the Securities to CR; (2) providing CR written guarantees for six investment contracts; (3) using CR’s investment funds for his personal use; (4) participating in private securities transactions without providing prior written notice to his employing broker-dealer; (5) engaging in outside business activities while associated with a FINRA-registered firm; (6) making false statements in annual compliance questionnaires regarding his involvement in private securities transactions and outside business activities; and (7) making misrepresentations to FINRA staff during FINRA’s enforcement investigation, in violation of FINRA Rules 2010, 2150, 3720 and 8201, and NASD Rule 3040.

77. Further, Rafaloff engaged in dishonest or unethical practices in the securities business by engaging in securities transactions not recorded in the regular books and records of Liberty Partners.

78. The conduct described in paragraphs 76-77 is grounds, pursuant to N.J.S.A. 49:3-58(a)(1), to revoke Rafaloff's registration.

79. Based upon the foregoing and pursuant to N.J.S.A. 49:3-58(a)(1), it is in the public interest to revoke Rafaloff's registration.

RAFALOFF FILED A FALSE APPLICATION WITH THE BUREAU
N.J.S.A. 49:3-58(a)(1) and N.J.S.A. 49:3-58(a)(2)(i)

80. The preceding paragraphs are incorporated by reference into this conclusion of law as though set forth verbatim herein.

81. Pursuant to N.J.S.A. 49:3-58:

[t]he bureau chief may by order, deny, suspend, or revoke any registration if he finds (1) that the order is in the public interest; and (2) that the applicant or registrant . . . (i) has filed an application for registration which as of its effective date . . . was incomplete in any material respect or contained any statement which was, in light of the circumstances under which it was made, false or misleading in any material fact

82. Rafaloff submitted an application for registration to the Bureau in 2010 while he was engaged in other business with PVT. His false negative answer to item 13 of the Form U4, asking whether he engaged in other business, is cause pursuant to N.J.S.A. 49:3-58(a)(2)(i), to revoke Rafaloff's registration as an agent.

83. Based upon the foregoing, and pursuant to N.J.S.A. 49:3-58(a)(1), the revocation of Rafaloff's registration as an agent is in the public interest.

RAFALOFF FILED A FALSE APPLICATION WITH THE BUREAU
N.J.S.A. 49:3-54

84. The preceding paragraphs are incorporated by reference into this conclusion as though set forth verbatim herein.

85. Pursuant to N.J.S.A. 49:3-54:

[i]t is unlawful for any person to make or cause to be made, in any document filed with the bureau with the bureau . . . any statement which is, at the time and in the light of circumstances under which it is made, false or misleading in any material respect.

86. Rafaloff failed to disclose his other business in the Rafaloff Companies by omitting material statements, by failing to file timely amendments and failing to report them at all. Rafaloff's false filings with the Bureau constitute violations of N.J.S.A. 49:3-54.

87. Each violation of N.J.S.A. 49:3-54 by Rafaloff is a separate violation of the Securities Law and is cause for the imposition of civil monetary penalties pursuant to N.J.S.A. 49:3-70.1.

RAFALOFF IS THE SUBJECT OF AN ORDER BY A SELF-REGULATORY ORGANIZATION EXPELLING HIM FROM A SELF-REGULATORY ORGANIZATION
N.J.S.A. 49:3-58(a)(1) and N.J.S.A. 49:3-58(a)(2)(vi)

88. The preceding paragraphs are incorporated by reference in this conclusion of law as though verbatim herein.

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

[t]he bureau chief may by order deny, suspend, or revoke any registration if he 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 . . . expelling him from a . . . national securities or commodities exchange or national securities or commodities association . . .

90. Having been barred from association with any FINRA member firm in any capacity, Rafaloff effectively has been expelled from a self-regulatory organization. This is cause, pursuant to N.J.S.A. 49:3-58(a)(2)(vi), to revoke Rafaloff's registration.

91. Based upon the foregoing, the revocation of Rafaloff's agent registration is in the public interest.

**RAFALOFF WILLFULLY VIOLATED THE SECURITIES AND THE REGULATIONS
PROMULGATED PURSUANT THERETO
N.J.S.A. 49:3-58(a)(1) and N.J.S.A. 49:3-58(a)(2)(ii)**

92. The preceding paragraphs are incorporated by reference into this conclusion as though set forth verbatim herein.

93. By the conduct set forth in the findings, Rafaloff willfully violated and/or willfully failed to comply with the Securities Law and the regulations promulgated pursuant to the Securities Law.

94. This is cause, pursuant to N.J.S.A. 49:3-58(a)(2)(ii), to revoke Rafaloff's registration.

95. Based upon the foregoing, the revocation of Rafaloff's agent registration is in the public interest.

THEREFORE, it is on this 5th day of February (LP) 2016, hereby **ORDERED AND AGREED**, that:

96. Respondent Rafaloff shall cease and desist from violating the Securities Law or any regulation or order under the Securities Law.

97. Respondent Rafaloff shall cease and desist from engaging in the conduct described in the Bureau Chief's findings of fact and conclusions of law.

98. The agent registration of Respondent Rafaloff is **REVOKED**;

99. Respondent Rafaloff is assessed civil monetary penalties in the amount of \$200,000 for violations of N.J.S.A. 49:3-52(b) and N.J.S.A. 49:3-54 pursuant to N.J.S.A. 49:3-70.1 ("Penalty"), in accordance with ¶ 102 below.

100. Respondent Rafaloff is **DENIED** all exemptions contained in N.J.S.A. 49:3-50 subsections (a) paragraph 9, 10, and 11 and subsection (b); and

101. The exemptions to the registration requirements provided by N.J.S.A. 49:3-56(c) and N.J.S.A. 49:3-56(g) are hereby **REVOKED** as to Respondent Rafaloff.

PAYMENT OF CIVIL MONETARY PENALTIES

102. Respondent Rafaloff shall pay the Penalty to the Bureau of Securities as follows:

- a. Rafaloff shall make thirty monthly consecutive payments of \$5,000 each to be received by the Bureau on or before the tenth day of each month commencing on October 1, 2016; and
- b. All payments shall be made by certified check, bank check, attorney trust account check or other guaranteed funds, payable to the "New Jersey Bureau of Securities," and delivered to the attention of the Bureau Chief, at the following address: New Jersey Bureau of Securities, 153 Halsey Street, 6th Floor, Newark, New Jersey 07102.

103. If Respondent Rafaloff: (i) timely makes all monthly payments due to CR totaling Two Hundred Forty-Five Thousand Dollars (\$245,000) in accordance with the terms of the Settlement Agreement entered into by and between Rafaloff and CR as of March 24, 2015 ("Settlement Agreement"); (ii) does not breach any other provision of the Settlement Agreement; (iii) timely makes all Penalty payments totaling \$150,000 to the Bureau set forth in ¶ 102 above; and (iv) does not violate any provision of this Consent Order, then the balance of \$50,000 of the Penalty remaining due from Rafaloff ("Remaining Penalty") shall be suspended and not collected by the Bureau. Rafaloff shall be responsible for requesting suspension of the Remaining Penalty. Such

request must be made in writing to the Bureau and shall include documentation demonstrating compliance with this Consent Order and the Settlement Agreement.

104. The Bureau Chief may declare that that no portion of the Penalty will be suspended and that the outstanding balance of the Penalty shall be immediately due and owing if: (i) Respondent Rafaloff fails to timely make all monthly payments due to CR totaling \$245,000 in accordance with the terms of the Settlement Agreement; (ii) Rafaloff breaches any provision of the Settlement Agreement; (iii) Respondent Rafaloff fails to timely make each of the Penalty payments to the Bureau as set forth in ¶ 102 above; (iv) Respondent Rafaloff violates any provision of this Consent Order; and/or (v) the Bureau and/or Bureau Chief determines at any time that Rafaloff's statements and/or representations, whether sworn or unsworn, directly or indirectly made to the Bureau at any time, including during settlement negotiations, are materially untrue, incomplete, inaccurate and/or false and misleading. In addition, the Bureau Chief may take any action permitted by law. In the event the Bureau Chief takes action against Respondent Rafaloff conduct under this Consent Order regarding his finances, then Respondent Rafaloff shall not assert any defenses other than those that address the truthfulness, completeness, accuracy and/or falsity of his statements and/or representations concerning his finances.

105. All civil monetary penalty payments made by Rafaloff shall be deposited by the Bureau into the Securities Enforcement Fund pursuant to N.J.S.A. 49:3-66.

ADDITIONAL PROVISIONS

106. This Consent Order shall supersede the Summary Order.

107. The Bureau Chief has entered into this Consent Order in reliance on Respondent Rafaloff's representations that he will not effect or attempt to effect transactions in securities from or within New Jersey, or otherwise violate the Securities Law.

108. The Bureau is entering into this Consent Order with Respondent Rafaloff based upon his statements and representations about his personal finances made to the Bureau prior to the entry of this Consent Order.

109. Respondent Rafaloff agrees to provide the Bureau with proof of monthly payments to CR under the Settlement Agreement within ten days of each such payment. Rafaloff will notify the Bureau in writing in the event he is in default of any monthly payment to CR within ten days of such default.

110. Respondent Rafaloff agrees to provide the Bureau with his annual state and federal tax returns within ten days of filing such returns until such time as the payment of the Penalty is satisfied under the terms of this Consent Order.

111. Respondent Rafaloff agrees to provide the Bureau with any change of address within ten days of such change until such time as the payment of the Penalty is satisfied under the terms of this Consent Order.

112. Respondent Rafaloff agrees to cooperate with the Bureau and the Office of the Attorney General of the State of New Jersey in any current or future inquiry, investigation, administrative proceeding, litigation, bankruptcy or other proceeding.

113. Respondent Rafaloff's cooperation in the preceding paragraph is material to the Bureau. Rafaloff will provide such cooperation at this own expense and without a subpoena. Rafaloff's cooperation shall include, but is not limited to, the following:

- a. testifying truthfully and completely at any trial, deposition or other proceeding at which the Bureau has requested his testimony;
- b. fully attending and participating in any meeting required by the Bureau, including but not limited to interviews and witness preparation sessions; and

c. promptly producing any documents or other materials requested by the Bureau that are in his possession.

114. By the signature below, Respondent Rafaloff represents that he has had a full and complete opportunity to consult with and has conferred with his counsel during the course of this matter, that counsel has explained to him the legal and practical effect of this Consent Order and that he voluntarily, of his own free will, and without any undue influence, coercion or duress has agreed to the terms of and signed this Consent Order.

115. Nothing in this Consent Order shall limit or affect the rights of any persons, other than the Bureau as it relates to the findings of fact and conclusions of law, who may have a claim against Rafaloff or any individual or entity involved in underlying facts of this matter.

116. Respondent Rafaloff consents to the jurisdiction of the Bureau.

117. Respondent Rafaloff agrees that for purposes of this matter or any and all 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 pursuant to N.J.S.A. 52:14B-1 et seq.

118. New Jersey law shall govern this Consent Order and enforcement thereof and all proceedings arising out of this Consent Order shall be held in New Jersey.

119. This Consent Order shall not bind any person not a party hereto.

120. Respondent Rafaloff has fully read this Consent Order, understands it, and agrees to be bound by its terms.

121. This Consent Order is fully integrated and contains the entire settlement terms between Rafaloff and the Bureau. No employee, attorney, official or representative of the Bureau or the State of New Jersey has made any additional promise or representation to Rafaloff regarding this Consent Order.

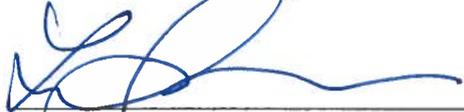
122. Pursuant to N.J.A.C. 1:1-19.1(d), this Consent Order shall be deemed the final decision as to Rafaloff.

123. Respondent Rafaloff consents to the entry of this Consent Order and voluntarily waives an opportunity for a hearing after reasonable notice within the meaning of N.J.S.A. 49:3-69(a)(1)(i) and (ii), N.J.S.A. 49:3-58(c)(2) and (3) and N.J.A.C. 13:47A-13.12. Rafaloff voluntarily waives any right to assert any defenses or to raise any challenge that he otherwise may have had to this Consent Order.

124. This Consent Order may be signed in counterparts and/or by facsimile, each of which shall be deemed an original.

125. This Consent Order is to be filed with the Clerk of the Office of Administrative Law, as required by N.J.A.C. 1:1-19.1(c)(2), as soon as practicable after it is executed.

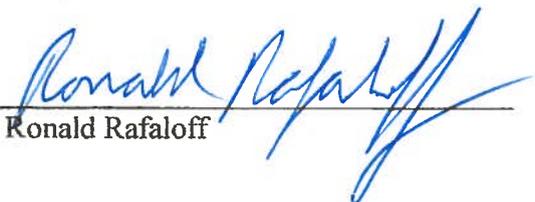
NEW JERSEY BUREAU OF SECURITIES



LAURA H. POSNER
BUREAU CHIEF

Consent to the Form, Content and Entry
of this Administrative Consent Order

Respondent Ronald Paul Rafaloff

By: 

Ronald Rafaloff

Dated: 1-15-16

SAM A. SILVERSTEIN, ESQ.
KAUFMANN GILDIN & ROBBINS LLP
767 THIRD AVENUE, 30TH FLOOR

NEW YORK, NY 10017

By: 
Sam A. Silverstein, Esq.

Dated: 1/27/16

JOHN J. HOFFMAN
ACTING ATTORNEY GENERAL OF NEW JERSEY

By: 
Patrice Smiley Andrews
Deputy Attorney General
Attorney ID No. 025701978

Dated: February 3, 2016