

**ADMINISTRATIVE PROCEEDING  
BEFORE THE  
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF: \*

Greg S. Friedman \*

and \* Securities Docket No. 2011-0431

Greg S. Friedman doing business as \*

Law Office of Greg S. Friedman \*

Respondents \*

\* \* \* \* \*

**AMENDED FINAL ORDER OF DENIAL AND BAR**

WHEREAS, the Securities Division of the Office of the Maryland Attorney General (the “Division”), pursuant to the authority granted in section 11-701 of the Maryland Securities Act, Corporations and Associations Article, Title 11, Annotated Code of Maryland (2014 Repl. Vol. ) (the “Act”), undertook an investigation into the securities activities of Greg S. Friedman (“Respondent Friedman” or “Friedman”) and Greg S. Friedman doing business as Law Office of Greg S. Friedman (“LOGSF” or “Respondent LOGSF”) (collectively, “Respondents”); and

WHEREAS, on the basis of that investigation the Maryland Securities Commissioner (the “Commissioner”) issued an Order to Show Cause, which is incorporated by reference, requiring Respondent Friedman to show cause why his application for investment registration should not be denied, and requiring Respondents to show cause why they should not be barred permanently from engaging in the securities and investment advisory business in Maryland and why a statutory penalty of up to \$5,000 per violation should not be entered against them; and

WHEREAS, the Order to Show Cause provided that the failure to file an answer, including a request for a hearing, within fifteen (15) days of service of the Order to Show Cause would result in the entry of a Final Order against Respondents; and

WHEREAS, Respondents failed to file a timely answer to the Order to Show Cause or to make a written request for a hearing; and

WHEREAS, on November 1, 2013, a Final Order of Denial and Bar was issued against Respondents; and

WHEREAS, Respondents have submitted to the Commissioner a written request for reconsideration of the Final Order of Denial and Bar; and

WHEREAS, the Commissioner and the Respondents have reached an agreement in this action whereby the Respondents consent to the terms of this Amended Final Order of Denial and Bar; and

WHEREAS, the Respondents waive their right to a hearing and any rights they may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Amended Final Order of Denial and Bar; and

WHEREAS, the Commissioner has determined that it is in the public interest to issue this Amended Final Order of Denial and Bar;

## **I. JURISDICTION**

1. The Commissioner has jurisdiction in this proceeding pursuant to section 11-701.1 of the Act.

## **II. RESPONDENTS**

2. At all relevant times, Greg S. Friedman has maintained a place of residence and a place of business in Rockville, Maryland. Friedman is an attorney licensed in Maryland. Friedman

is the owner and principal of the Law Office of Greg S. Friedman and of Entity Management, LLC, both of which are located in Rockville, Maryland.

3. At all relevant times, Greg S. Friedman doing business as Law Office of Greg S. Friedman has maintained its office in Rockville, Maryland. LOGSF is also known as the Law Offices of Greg S. Friedman and Greg S. Friedman Law Offices. Friedman is the principal of LOGSF.

### **III. STATEMENT OF FACTS**

#### **Unregistered Investment Advisory Activities**

4. Beginning as early as the mid 1990's, Friedman began advising individuals with respect to their investments.

5. The individuals opened investment accounts at TD Ameritrade ("TDA") and, through a trading authorization form, provided Friedman with the authority to buy and sell securities on their behalf. Friedman cosigned the trading authorization forms.

#### **H.M.**

6. In or about 2001 Friedman began managing the investment assets for H.M.

7. H.M. opened an investment account with TDA.

8. A TDA Full Trading Authorization form dated July 25, 2001 gave Friedman discretionary authority to purchase and sell securities in H.M.'s account. The form was signed by H.M. and Friedman.

9. Friedman was compensated for managing H.M.'s investment account.

10. On, or about, January 31, 2005 Friedman provided a fee statement to Marshall for "Asset management services rendered".

11. The statement was listed on the letterhead of "Law Offices [of] Greg S. Friedman."

12. The statement provided that H.M.'s account had appreciated \$641,084 from the account's inception.

13. The statement further provided that Respondents had earned an asset management fee of \$64,108, or 10% of the appreciation of H.M.'s account.

14. An asset management fee statement dated March 29, 2006 stated that from January 31, 2005 to January 27, 2006 H.M.'s account appreciated \$133,682 and, based on that appreciation, Respondents earned an asset management fee of \$13,368, or approximately 10% of H.M.'s account's appreciation.

15. As with the January 2005 fee statement, the March 2006 fee statement was issued on the letterhead of the "Law Offices [of] Greg S. Friedman."

**D.R.**

16. On July 4, 2011, Friedman met D.R. through H.M., a mutual friend of Friedman and D.R.

17. Aware that Friedman had assisted H.M. with her investments, D.R. discussed with Friedman the possibility of investing with him.

18. After some telephone discussions and face to face meetings, D.R. agreed to invest \$50,000 with Friedman.

19. On or about July 21, 2011, D.R. met with Friedman to formalize their investment relationship.

20. Friedman presented D.R. with an investment agreement that set out the terms of their relationship.

21. The agreement was listed on the letterhead of the "Law Offices [of] Greg S. Friedman," and provided that Respondents would provide D.R. with "portfolio management services

on a tailored basis, structured specifically for” D.R.

22. In exchange for providing portfolio management services, the investment agreement specified that Respondents would receive a quarterly fee of 10% of the increase in the value of D.R.’s portfolio.

23. During one of their initial meetings, D.R. told Friedman that she wanted to increase the return on her money, but that she was not in a position to lose any money.

24. Respondents documented D.R.’s wishes in the investment agreement, which stated: “[o]ur discussions have provided me with an indication of your willingness to incur a nominal degree of risk in order to achieve investment performance, while endeavoring to conserve your current investment capital.”

25. To achieve D.R.’s objective, the investment agreement stipulated that Respondents would “develop a core portfolio of income producing equities, and increase portfolio yield through the sale of covered call options and out-of-the-money short put options.”

26. During their July 21<sup>st</sup> meeting, D.R. presented Friedman with a check for \$50,000.

27. The check was deposited into an investment account established for D.R. at TDA.

28. The TDA account application named Respondent Friedman as the authorized agent for D.R.’s account, giving him discretionary authority over the account.

29. Friedman directed D.R. to provide him with a user id and password for her account, even suggesting to D.R. a user id and password that would be easy for him to remember.

30. Between July 25, 2011 and September 22, 2011, Respondent Friedman entered all of the securities transactions on a discretionary basis, including the purchase and sale of stocks and option contracts, for D.R.’s TDA account.

31. During that time, D.R.’s TDA account incurred significant losses, resulting in margin

calls on her account.

32. On September 22, 2011, D.R. visited the Bethesda branch of TDA, revoked Friedman's authorization to act as an agent for her account, changed her account's password, and sold securities to cover the margin call.

### **Other Investment Clients of Friedman**

33. Friedman offered and provided investment advice to others for compensation.

34. In or about December 2004, Friedman began managing the investment assets of A.L.'s trust account.

35. Friedman solicited compensation for managing the trust's investment account.

36. On or about June 30, 2005, Friedman provided A.L. with a fee statement for "Asset management services rendered."

37. The statement provided that the trust's investment account had appreciated \$23,608 and showed a balance due to Friedman of \$2,360, approximately 10% of the account's appreciation.

38. On or about May 12, 2011, Friedman executed an investment advisory agreement with another client, D.F.

39. The agreement provided that Friedman would provide D.F. with "portfolio management services on a tailored basis, structured specifically for" D.F.

40. Friedman documented D.F.'s investment objectives in the agreement, which stated: "[o]ur discussions have provided me with an indication of your willingness to incur a nominal degree of risk in order to achieve investment performance, while endeavoring to conserve your current investment capital."

41. To achieve D.F.'s objectives, Friedman would "develop a core portfolio of income producing equities, and increase portfolio yield through the sale of covered call options and out-of-

the-money short put options.”

42. In exchange for his portfolio management services, the investment agreement provided that Friedman would receive a quarterly fee of 10% of the increase in the value of D.F.’s portfolio.

43. The initial investment provided by D.F. to Friedman was \$100,000.

44. Respondents represent that, although they solicited compensation from A.L. and D.F., they did not receive payment from them.

#### **Failure to Make Material Disclosures to Clients or Prospective Clients**

45. Neither Friedman nor LOGSF are now, or have ever been, registered as an investment adviser or as an investment adviser representative.

46. Respondents did not disclose to clients or prospective clients that they were required to be registered as an investment adviser or as an investment adviser representative to offer or sell advisory services, but were not.

47. Respondents did not disclose to their clients or prospective clients that they had not taken or passed the minimum qualifying investment adviser examination, as required by Regulation 02.02.05.14 of the Code of Maryland Regulations (“COMAR”).

48. Respondents did not give clients or prospective clients the information required by Form ADV, as required by COMAR 02.02.05.05.

49. Respondents’ client contracts did not include the disclosures required by COMAR 02.02.05.03B(16), including the term of the contract, whether the contracts granted discretionary authority to the Respondents, and a statement that the contract could not be assigned without the consent of the client.

50. Respondents did not disclose in writing to clients or prospective clients that the

receipt of performance based compensation may create an incentive to make investments that involve more risk and are more speculative, and that Respondents may receive increased compensation due to unrealized appreciation in the client's account, as required by COMAR 02.02.05.08B.

**Failure to File a Complete Investment Adviser Application**

51. In an October 13, 2011 letter sent to Respondents at their principal place of business, the Division informed Respondents that they may be acting as an unregistered investment adviser or investment adviser representative in Maryland and requested that, by November 2, 2011, Respondents provide the Division with certain documents regarding their advisory activities.

52. Respondents neither produced documents nor otherwise responded to the Division's October 13<sup>th</sup> letter.

53. On or about November 10, 2011, the Division served on Friedman a subpoena duces tecum requesting, among other things, the documents requested in its October 13<sup>th</sup> letter.

54. In letters dated December 24, 2011, and February 14, 2012, Friedman produced some documents responsive to the Division's subpoena and requested the opportunity to register as an investment adviser.

55. Based upon the documents produced by Friedman, the Division determined that Respondents had engaged in investment advisory activities, and requested that Respondents register as an investment adviser.

56. On August 3, 2012, after a number of requests by the Division, Friedman filed an investment adviser registration application with the Division.

57. In an August 8, 2012 letter and a subsequent August 24, 2012 email, the Division notified Friedman that his application was incomplete and requested that Friedman complete his application by, among other things, submitting a copy of the information required by Forms ADV



Part 2A and 2B, copies of all client advisory agreements, and evidence that Friedman successfully passed the investment adviser examination.

58. Despite repeated assurances that he would complete his application by submitting the required information, Friedman failed to do so.

59. In an April 23, 2013 letter, the Division notified Friedman that failure to complete his application would result in the issuance of an order seeking to deny his registration application.

**Request for Modification of Final Order of Denial and Bar**

60. On September 30, 2013, the Commissioner issued an Order to Show Cause requiring Respondent Friedman to show cause why his application for investment adviser registration should not be denied, and requiring Respondents to show cause why they should not be barred from engaging in the securities and investment advisory business in Maryland and why they should not be assessed a monetary penalty.

61. On November 1, 2013, a Final Order of Denial and Bar was issued denying Respondent Friedman's application for registration as an investment adviser in Maryland, barring Respondents from engaging in the securities or investment advisory business in Maryland for or on behalf of any others, or from acting as a principal or consultant in any entity so engaged, and imposing on Respondents, jointly and severally, a monetary penalty of \$50,000.

62. The State of Maryland Central Collections Unit ("CCU") sought to collect the \$50,000 monetary penalty imposed by the Division's Final Order of Denial and Bar and an additional \$8,500, representing CCU's 17% fee.

63. Approximately one year after the issuance of the Final Order of Denial and Bar, Friedman submitted to the Commissioner a written request for reconsideration of the Final Order of Denial and Bar.

#### IV. CONCLUSIONS OF LAW

The Commissioner concludes that:

64. Respondents violated section 11-302(a)(2) and (c) of the Act by, among other things, failing to disclose to clients or prospective clients that they were not registered to provide investment advisory services, and that they had not taken the minimum qualifying exam required of investment advisers.

65. Respondents engaged in dishonest and unethical practices in violation of section 11-302(a)(3) of the Act by, among other things, failing to disclose to clients or prospective clients that they were not registered to provide investment advisory services, failing to disclose that they had not taken the minimum qualifying exam required of investment advisers, and failing to include in their client contracts certain disclosures required by COMAR 02.02.05.03B(16).

66. Respondents violated section 11-302(d) of the Act by failing to provide clients or prospective with the disclosure document required by COMAR 02.02.05.05.

67. Respondents violated section 11-302(e) of the Act by failing to include in their client contracts certain disclosures required by COMAR 02.02.05.08B.

68. Respondents violated section 11-401(b) of the Act by acting as an unregistered investment adviser and/or investment adviser representative.

69. Respondent LOGSF violated section 11-402(b) of the Act by employing or associating with an unregistered investment adviser representative.

70. Respondent Friedman has failed to file a complete investment adviser registration application, and grounds exist under section 11-412(a)(1) of the Act to deny Respondent Friedman's investment adviser registration application.

71. Respondent Friedman willfully violated or failed to comply with sections 11-

302(a)(2), (a)(3), (c), (d) and (e), and 11-401(b), as detailed in this Order, and grounds exist under section 11-412(a)(2) of the Act to deny Respondent Friedman's investment adviser registration application.

72. Respondent Friedman engaged in unethical business practices by, among other things, failing to make certain disclosures to clients or prospective clients, and grounds exist to deny Respondent Friedman's investment adviser registration application under section 11-412(a)(7) of the Act.

73. Respondent Friedman's principal does not possess the requisite examination to qualify as an investment adviser, and grounds exist to deny Respondent Friedman's investment adviser registration application under section 11-412(a)(9) of the Act.

#### **V. SANCTIONS**

74. NOW, THEREFORE, IT IS HEREBY ORDERED, and Respondents expressly consent and agree, that:

a. Respondent Friedman's application for registration as an investment adviser in Maryland is denied.

b. Respondents LOGSF and Friedman are barred from engaging in the securities or investment advisory business in Maryland for or on behalf of any others, or from acting as a principal or consultant in any entity so engaged. For a period of five (5) years from the date of this Order, Respondents may not apply for registration as a broker-dealer, agent, investment adviser, or investment adviser representative or submit to the Securities Division a request to act as a principal or consultant in any entity so engaged.

c. Respondents LOGSF and Friedman, jointly and severally, are assessed a civil monetary penalty pursuant to section 11-702 of the Act in the amount of \$20,000 for the violations

set forth in this Order. If, contemporaneously with the signing of this Order, Respondents make restitution to D.R. in the amount of \$10,000, then collection of the monetary penalty shall be reduced by the \$10,000 restitution paid. Payment of restitution shall be by check payable to the Office of the Attorney General and then distributed by the Office of the Attorney General in a manner within its discretion. The balance of the monetary penalty shall be paid in equal installments of \$2,500 on or before the 1<sup>st</sup> of each month, beginning August 1, 2015. Payment shall be by check payable to the Office of the Attorney General.

d. Failure of a Respondent to comply with any term of this Amended Final Order of Denial and Bar shall result in the reinstatement of the permanent bar and \$50,000 monetary penalty set forth in the Final Order of Denial and Bar issued by the Commissioner on November 1, 2013.

## **VI. JURISDICTION RETAINED**

75. Jurisdiction shall be retained by the Commissioner for such further orders and directions as may be necessary or appropriate for the construction or enforcement of this Amended Final Order of Denial and Bar.

76. The Commissioner may institute administrative or judicial proceedings against a Respondent to enforce this Amended Final Order of Denial and Bar and or to sanction that Respondent for violating an order of the Commissioner, and may take any other action authorized under the Act or under any other applicable law, including the issuance of fines or penalties as provided by the Act. In any such proceeding, the Division may also seek other sanctions for the violations that initiated this matter. For the purpose of determining those sanctions, the Statement of Facts and violations of the Act set forth in this Amended Final Order of Denial and Bar shall be deemed admitted, and may be introduced into evidence against that Respondent.

77. In the event that judicial intervention in this matter is sought by the Securities Commissioner or a Respondent, subject matter jurisdiction will lie in the Circuit Court for Baltimore City pursuant to section 11-702 of the Act. The Circuit Court for Baltimore City will have personal jurisdiction over the Respondent pursuant to section 6-103(b) of the Courts and Judicial Proceedings Article, Title 6, Annotated Code of Maryland (2013 Repl. Vol. and 2014 Supp.). Venue will be properly in that Court pursuant to Section 6-201(a) and 6-202(11) of that article.

**VII. MODIFICATION OF TERMS OF THIS AMENDED FINAL ORDER OF DENIAL AND BAR**

78. The terms of this Amended Final Order of Denial and Bar may be vacated or modified only by a subsequent order issued by the Commissioner.

**SO ORDERED:**

**Commissioner's Signature on File w/Original Document**

Date: September 16, 2015

\_\_\_\_\_  
Melanie Senter Lubin  
Securities Commissioner

**BY CONSENT:**

Greg S. Freidman doing business as  
Law Office of Greg S. Friedman

\_\_\_\_\_  
By: Greg S. Friedman

\_\_\_\_\_  
Greg S. Friedman

\_\_\_\_\_, 2015

\_\_\_\_\_, 2015

Date

Date

Subscribed and sworn to before me  
this \_\_\_\_ day of \_\_\_\_\_, 2015.

Subscribed and sworn to before me  
this \_\_\_\_ day of \_\_\_\_\_, 2015.

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Notary Public

My Commission expires \_\_\_\_\_

My Commission expires \_\_\_\_\_