

STATE OF MAINE
OFFICE OF SECURITIES
121 STATE HOUSE STATION
AUGUSTA, ME 04333

IN RE:

Olympia Asset Management, Ltd.
and Michael P. Murphy

NOTICE OF INTENT TO DENY A
BROKER-DEALER AND SALES
REPRESENTATIVE LICENSE, ISSUE
A CEASE AND DESIST ORDER, AND
IMPOSE A CIVIL PENALTY

05-030

ALLEGATIONS

1. Olympia Asset Management, Ltd. ("Olympia") was incorporated in New York in 2002 and has a principal place of business at 888 Seventh Avenue, 17th Floor, New York, New York 10019. Olympia is a securities broker-dealer and was formerly known as Murphy Financial Group, Inc.
2. Michael Patrick Murphy ("Murphy") is the Chief Executive Officer and the principal owner of Olympia. His business address is 888 Seventh Avenue, 17th Floor, New York, New York 10019. Murphy was formerly the president and a 50% owner of a securities broker-dealer known as Murjen Financial, Inc. ("Murjen").
3. Chistopher Martin Murray ("Murray") is the "Branch Manager" at Olympia's only place of business and is a control person of Olympia. His business address is 888 Seventh Avenue, 17th Floor, New York, New York 10019. Murray was formerly a sales representative at Murjen.

Licensing Application

4. On March 31, 2003, the Office of Securities ("Office") received an application from Olympia to be licensed as a broker-dealer in Maine.
5. Over the next several months, the Office sent several letters to Olympia requesting information pursuant to section 10308(1) of the Revised Maine Securities Act ("the Act"). That section provides that, unless a proceeding is instituted under section 10313, a license "becomes effective 30 days after the application and the last of any additional information requested by the administrator or the administrator's designee has been filed."

6. Through August 2004, Olympia provided the information requested in the Office's letters. On two separate occasions Olympia submitted the requisite information five to six months after the Office had requested it.
7. On September 21, 2004, the Office sent a letter requesting additional information to Olympia's Chief Compliance Officer, Tim Poulos ("Poulos"). In response, Poulos sent the Office a letter, received on September 28, in which he stated that Olympia would not provide the Office with certain requested information based on his belief that the firm was not required to do so under the Act. The Office sent Poulos another letter, on September 30, advising him that his belief was incorrect and that the Act required the firm to provide the requested information. Poulos provided the requested information in a letter received by the Office on November 22.
8. On March 21, 2003, Murphy filed an application through the Central Registration Depository to be licensed as a sales representative for Olympia in Maine. That application has been in a "deficient" status because Olympia's license application in Maine is still pending. Since for statutory purposes the application is not active, the Office has not previously acted upon his application.
9. On December 6, 2004, the Office sent a letter to Poulos, offering Olympia the opportunity to voluntarily withdraw its license application and Murphy's license application so as to forestall an administrative action to deny those licenses. On December 7, the Office of Securities received a letter from Poulos stating that "the firm has no intention of withdrawing its application."

Grounds for Denial

10. On December 5, 2003, the National Association of Securities Dealers ("NASD") issued a Letter of Acceptance, Waiver and Consent ("AWC") against Murphy, Murjen, and a third respondent based on conduct occurring while Murphy was associated with Murjen and another firm. The NASD found that Murphy knew or should have known that a sales representative under his supervision had engaged in unsuitable margin trading and excessive trading in several client accounts. For this reason, the NASD found that Murphy violated NASD conduct rules by failing both to adequately supervise a sales representative and to observe high standards of commercial honor and just and equitable principles of trade. As a result, the NASD suspended Murphy from associating as a principal with any NASD member for two months. The NASD also imposed a \$9,000 fine on Murphy and Murjen and ordered that all three respondents pay over \$209,000 in restitution. In a separate action, the NASD suspended the inadequately supervised sales representative for two years, imposed a \$20,000 fine upon him, and required him to disgorge over \$70,000 in commissions.
11. In the AWC against Murphy, the NASD also stated that Murjen, acting through Murphy, who was responsible for the firm's written supervisory procedures, failed to establish and maintain a supervisory system reasonably designed to achieve compliance with NASD rules against unsuitable transactions and excessive trading. The NASD listed four

specific deficiencies in Murjen's written supervisory procedures, including failures to describe how principals should review and determine whether margin trading is unsuitable and whether account activity is excessive.

12. The written supervisory procedures that Olympia submitted to the Office of Securities in connection with its broker-dealer application contain the same four deficiencies listed in the AWC with respect to Murjen's written supervisory procedures.
13. On September 16, 2004, the NASD issued an AWC against Murray based on conduct occurring while he was associated with Murjen and while Murphy was president of Murjen. The NASD found that Murray violated NASD conduct rules by recommending and effecting an unsuitable transaction for a client. Specifically, on or about August 22, 2002, Murray purchased over \$125,000 in common stock of Healthsouth Corporation ("Healthsouth") for a client with a securities account valued at only about \$32,000, where Murray knew that the client needed at least \$15,000 in cash from the account the following week. About two weeks after the purchase, the stock price having plummeted, Murjen sold the Healthsouth stock at a loss and sold other securities in the client's account in an attempt to cover the cost of the Healthsouth purchase, for which the client had refused to pay. As a result, the NASD suspended Murray for 10 days, fined him \$10,000, and ordered him to pay \$24,000 in restitution.
14. In January and February 2003, while Murphy was president of Murjen, an employee of Murjen named Sean Murphy effected five securities transactions for a Maine resident at a time when Sean Murphy was not licensed in Maine as a sales representative.
15. On or about March 2, 2004, Olympia and Murphy effected a securities transaction for a Maine resident at a time when neither Olympia nor Murphy was licensed in Maine as a broker-dealer or sales representative. On September 30, 2003, Murphy had submitted a sworn statement to the Office representing that no person acting on Olympia's behalf would make any offers or sales of securities in Maine until the firm's broker-dealer license became effective under section 10301 of the Act.
16. Based on the AWC against Murphy, securities regulators in at least two other states – Utah and New Mexico – advised Olympia that his sales representative license could be revoked unless the firm voluntarily withdrew the license. Thereafter, Olympia voluntarily withdrew Murphy's license in those two states. Similarly, based on Murphy's disciplinary record, securities regulators in at least two other states – Arizona and Hawaii – advised Olympia that his pending sales representative license would be denied unless the firm voluntarily withdrew his application. Thereafter, Olympia withdrew Murphy's application in those two states.
17. Pursuant to 32 M.R.S.A. § 10313(1)(J), the Securities Administrator may, after notice and opportunity for hearing, issue an order denying a broker-dealer or sales representative license if she finds that the order is in the public interest and that the applicant or "any partner, executive officer or director, any person occupying a similar

status or performing similar functions or any person directly or indirectly controlling the broker-dealer” has failed reasonably to supervise sales representatives.

18. Murphy’s conduct as described in the AWC against him constitutes a failure to reasonably supervise sales representatives.
19. Murphy’s failure to prevent Sean Murphy’s unlicensed transactions in Maine constitutes a failure to reasonably supervise sales representatives.
20. Pursuant to 32 M.R.S.A. § 10313(1)(G), the Securities Administrator may, after notice and opportunity for hearing, issue an order denying a broker-dealer or sales representative license if she finds that the order is in the public interest and that the applicant or “any partner, executive officer or director, any person occupying a similar status or performing similar functions or any person directly or indirectly controlling the broker-dealer” has engaged in any unlawful, unethical or dishonest conduct or practice in the securities business.
21. Murphy’s conduct as described in the AWC against him constitutes unethical conduct in the securities business.
22. Murphy’s failure to ensure that Olympia’s written supervisory procedures did not contain the same deficiencies listed in the AWC with respect to Murjen’s written supervisory procedures amounts to unethical conduct in the securities business.
23. Murray’s conduct as described in the AWC against him constitutes unethical conduct in the securities business.
24. The unlicensed transaction in Maine effected by Olympia and Murphy violates 32 M.R.S.A. § 10301 and thus constitutes unlawful conduct in the securities business.
25. The Securities Administrator believes that it would be in the public interest to deny Olympia a broker-dealer license and to deny Murphy a sales representative license given the allegations herein.

Grounds for Cease and Desist Order and Imposition of Civil Penalty

26. Pursuant to 32 M.R.S.A. § 10602(1), if the administrator reasonably believes that any person has engaged, is engaging or is about to engage in any act or practice constituting a violation of any provision of the Act, she may, among other things, issue a cease and desist order and impose a civil penalty that may not exceed \$1,500 for a single violation.
27. By effecting a securities transaction in Maine without being licensed to do so under 32 M.R.S.A. § 10301, Olympia and Murphy violated the Act and are thus subject to an order under 32 M.R.S.A. § 10602(1).

NOTICE

Pursuant to 32 M.R.S.A. § 10708(6), notice is hereby given that the Securities Administrator intends to issue an Order to Deny a Broker-Dealer and Sales Representative License, Issue a Cease and Desist Order, and Impose a Civil Penalty pursuant to 32 M.R.S.A. §§ 10313(1) and 10602(1).

Pursuant to 32 M.R.S.A. § 10708(2), interested parties have thirty (30) calendar days from the entry of this Notice of Intent to file a written request for a hearing.

Date: December 20, 2004

s/Christine A. Bruenn
Christine A. Bruenn
Securities Administrator

Reviewed by:

Date: December 20, 2004

s/Bonnie E. Russell
Bonnie E. Russell
Assistant Securities Administrator

Presented by:

Date: December 20, 2004

s/Michael W. Atleson
Michael W. Atleson
Staff Attorney