

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

IN THE MATTER OF: CORMAC N. MAUGHAN

FILE NO. 0400542

SUMMARY ORDER OF DENIAL

TO THE RESPONDENT:

Cormac N. Maughan
(CRD #: 1528683)
21 Radtke Road
Randolph, New Jersey 07039

C/o The GMS Group, LLC
5N Regent Street
Suite 513
Livingston, New Jersey 07039-9850

WHEREAS, on November 5, 2004, The GMS Group, LLC., a registered dealer, filed a Form U-4 application for registration of Cormac N. Maughan (the "Respondent") as a salesperson in the State of Illinois;

WHEREAS, pursuant to the authority granted under Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act"), the Secretary of State has determined that the Respondent's application for registration as a salesperson in the State of Illinois is subject to a Summary Order of Denial;

WHEREAS, the Secretary of State finds that the grounds for such Summary Order of Denial are as follows:

1. That on June 30, 2004, an Exchange Hearing Panel of the New York Stock Exchange Inc. (NYSE) accepted a Stipulation of Facts and Consent to Penalty entered into between the Exchange's Division of Enforcement and the Respondent (Decision) in File No. 04-97 which imposed the following sanctions:
 - a. censure; and

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- b. suspension for a period of one month from membership, allied membership, approved person status, and from employment or association in any capacity with any member or member organization.
2. That the Decision found:
- a. X was born in 1932. In 1991, X opened a brokerage account with the Respondent while he was employed as a registered representative at a prior firm. The listed investment objective for his account was "income with diversification". X's only previous investment experience was purchasing certificates of deposit.
 - b. In 1993, X retired and began living on social security payments of approximately \$900 monthly. His other primary source of income was his brokerage account.
 - c. In 1995, X transferred his brokerage account to the Firm and the Respondent continued to handle it.
 - d. The Respondent handled X's account at the Firm from April 1995 through July 2000. During this period, X gave him oral authority to make all trading decisions for his brokerage account. The Respondent, however, did not obtain prior written authorization from X for such discretion.
 - e. The approximate value of X's brokerage account when transferred to the Firm in April 1995 was \$5,800. Thereafter, during the period 1996 through May 2000, X made deposits totaling \$138,142 and received distributions totaling \$39,050.
 - f. In August 1998, X informed the Respondent that he needed to generate income from his account for his living expenses. The Respondent updated the new account documents for X's account, changing the investment objective to "Taxable Income - Aggressive," and "Growth - Aggressive". According to the updated account documents, X was then a 65 year-old retiree with an annual income of \$35,000, and an approximate net worth of \$300,000.
 - g. Thereafter, the Respondent began to effect transactions in aggressive and speculative stocks for X's account, sometimes trading on margin to leverage the trading. By at least March

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2000, X's account was concentrated in aggressive and speculative technology, biotech and internet stocks. The majority of the stocks in X's account during the period January 1998 through July 2000 were held for 30 days or less.

- h. The frequency of trading and concentration in aggressive and speculative securities were unsuitable and excessive in view of X's age, investment objectives and financial circumstances.
- i. In 2000, when the market declined, X's account suffered trading losses, resulting in margin calls during March and April 2000. When X failed to meet these margin calls, the Firm liquidated some of the positions in his account, resulting in additional losses.
- j. In March and April 2000, the Respondent gave X three personal checks totaling \$33,200 to cover part of X's trading losses. At the time, the Firm was not aware of these payments.
- k. In August 2000, X filed a written complaint with the Firm regarding the Respondent's handling of his account. The complaint was settled by payment to X of \$29,000 and the Respondent contributed 50% of that amount, or \$14,500 to the settlement.
- l. That by virtue of the foregoing, the Respondent:
 - (i) Violated Exchange Rule 408(a) in that he exercised discretionary power with oral but not written authorization in the account of a customer of his member organization employer;
 - (ii) Engaged in conduct inconsistent with just and equitable principles of trade in violation of Exchange Rule 476(a)(6), in that he recommended and effected transactions for the account of one customer of his member organization employer that were unsuitable and excessive in view of the customer's age, investment objectives and financial circumstances; and
 - (iii) Violated Exchange Rule 352(c) in that he shared in the losses of an account of a customer of his member organization employer.

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3. That Section 8.E(1)(j) of the Act provides, inter alia, that the registration of a salesperson may be denied if the Secretary of State finds that such salesperson has been suspended by any self-regulatory organization registered under the Federal 1934 Act or the Federal 1974 Act arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation or standard duly promulgated by the self-regulatory organization.
4. That the NYSE is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.
5. That by virtue of the foregoing, the Respondent's registration as a salesperson in the State of Illinois is subject to denial pursuant to Section 8.E(1)(j) of the Act.

NOW IT IS HEREBY ORDERED THAT:

The Respondent's application for registration as a salesperson in the State of Illinois is DENIED, subject to the further Order of the Secretary of State.

A public hearing will be set within thirty (30) days of the Respondent's filing a written request for hearing with the Secretary of State at 69 west Washington Street, Suite 1220, Chicago, Illinois 60602. Said hearing will be held at the aforesaid address before a Hearing Officer duly designated by the Secretary of State. A copy of the Rules under the Act pertaining to contested cases is attached to this Order.

YOUR FAILURE TO REQUEST A HEARING WITHIN THIRTY (30) DAYS AFTER RECEIPT OF THIS ORDER SHALL CONSTITUTE AN ADMISSION OF ANY FACTS ALLEGED HEREIN AND SHALL CONSTITUTE A SUFFICIENT BASIS TO MAKE THIS ORDER FINAL.

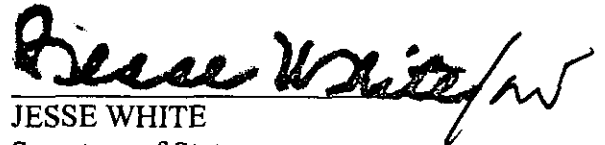
You are further notified that if you request a hearing that you may be represented by legal counsel, may present evidence; may cross-examine witnesses and otherwise participate. Failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

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Delivery of this Order or any subsequent notice to the designated representative of any Respondent constitutes service upon such Respondent,

DATED: ENTERED This 5th day of July 2005.



JESSE WHITE
Secretary of State
State of Illinois

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