BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO. S-13-0138
ORDER NO. S-13-0138-14-OR01

IN THE MATTER OF:

**ROBERT JOSEPH RUPPERT**                                        **RESPONDENT**

## CEASE AND DESIST ORDER

On January 16, 2014, the Staff of the Arkansas Securities Department ("Staff") filed its Request for Cease and Desist Order ("Request"). In its Request, the Staff states that it has certain information and evidence indicating that Robert Joseph Ruppert has violated provisions of the Arkansas Securities Act ("Act"), codified at Ark. Code Ann. §§ 23-42-101 through 23-42-509. The Arkansas Securities Commissioner ("Commissioner") has reviewed the Request and based upon the representations made therein finds as follows:

### FINDINGS OF FACT

The Request contains the following representations of fact:

1.      Robert Joseph Ruppert ("Ruppert"), CRD No. 4859588, is a New York resident who was employed as a broker-dealer agent with Network 1 Financial Securities, Inc. ("Network 1"), CRD No. 13577, a broker-dealer registered with the Arkansas Securities Department ("Department"), from June 21, 2013, until his discharge on November 5, 2013. Ruppert was not registered with the Department in any capacity during the time of his employment with Network 1.

2.      On October 17, 2013, Ruppert contacted an Arkansas resident ("AR1") on a cold call recommending the purchase of stock in Ambarella Inc. ("Ambarella"). Ruppert was not aware at the time of the call that AR1 was employed as a Senior Securities Examiner with the Department and that he had contacted AR1 on a Department phone during business hours.

3.    Ambarella is a supplier of processors for professional video compression, digital cameras, and IP cameras.  Ambarella stock was trading at $21.86 per share on the date of Ruppert's call to AR1.  During the cold call, Ruppert represented to AR1 that Ambarella had landed one of the largest government contracts in the last twenty years and that this contract would soon lead to a dramatic increase in the company's stock price.  Specifically, Ruppert claimed that the United States government would be placing fifty to one hundred million new security cameras around the country in the aftermath of the Boston marathon bombings. According to Ruppert, Ambarella had entered into a contract with the government to assist in this process.  When making these representations, Ruppert referenced a company whose stock price had risen in the wake of the 9/11 bombings by nearly one hundred and ten dollars per share.  He claimed that the Ambarella contract held similar implications for its company's value.  In concluding the pitch to AR1, Ruppert stated that "by the latter part of this year I'm telling you right now the stock price will be soaring above thirty-five bucks a share."

4.    During his pitch to AR1, Ruppert did not disclose the risks associated with purchasing the Ambarella stock nor did he make any qualifications regarding an increase in the company's stock price.  Although Ruppert asked AR1 a few income-related questions at the end of their conversation, he failed to conduct a proper suitability analysis with AR1 prior to recommending the Ambarella stock.  Furthermore, Ruppert expressed his intent to inflate the financial information that AR1 provided in response to his few income-related inquiries.  After AR1 provided Ruppert with a negative net worth figure, Ruppert responded that he would mark AR1's net worth down on the new account application as five hundred thousand dollars.

## CONCLUSIONS OF LAW

5.      Ark. Code Ann. § 23-42-301(a) provides that it is unlawful for any person to transact business in Arkansas as a broker-dealer agent without first being registered as such pursuant to the Act.

6.      Ark. Code Ann. § 23-42-507(2) makes it unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly, to 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.

7.      Ruppert cold called AR1 and recommended the purchase of Ambarella stock. Ruppert was not registered with the Department as an agent of Network 1 at the time of the cold call and, therefore, acted as an unregistered agent in violation of Ark. Code Ann. § 23-42-301(a).

8.      Ruppert made misrepresentations to AR1 regarding the impact of possible government contracts on Ambarella's stock price and represented without qualification that Ambarella stock would rise above thirty-five dollars per share before the end of 2013. He also failed to conduct any suitability analysis prior to recommending the stock and expressed his intent to inflate AR1's net worth on a customer account form to make the recommendation appear suitable. Accordingly, Ruppert violated Ark. Code Ann. § 23-42-507(2) by committing securities fraud in the offer or sale of a security.

## ORDER

9.      Ruppert shall immediately cease and desist from further violations of Ark. Code Ann. § 23-42-301(a), and refrain from acting as a broker-dealer agent until such time as he is properly registered with the Department or shown to be exempt from registration under the Act.

10.     Ruppert shall immediately cease and desist from further violations of Ark. Code Ann. § 23-42-507(2), and refrain from committing fraud or deceit in connection with the offer or sale of any securities in Arkansas.

11.     A hearing on this Cease and Desist Order shall be held if requested by Ruppert in writing within thirty days of the entry of this Order or if otherwise ordered by the Commissioner. Ark. Code Ann. § 23-42-209(a)(2)(A). Such request should be addressed to the Commissioner and submitted to the following address:

> Arkansas Securities Commissioner
> 201 East Markham, Suite 300
> Little Rock, Arkansas 72201

12.     If no hearing is requested and none is ordered by the Commissioner, this Cease and Desist Order will remain in effect until it is modified or vacated by the Commissioner. Ark. Code Ann. § 23-42-209(a)(2)(B).

Dated this 21st day of January, 2014.

A. Heath Abshure
Arkansas Securities Commissioner