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THE MOST OUTRAGEOUS INVESTMENT ADVISOR MISCONDUCT OF 2014

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This past year saw investor funds continue to flow into the stock market and the control of the country's more than 500,000 stockbrokers and investment advisors. While this was another banner year for the stock market, with gains from the S&P above 12%, it was, unfortunately, also a banner year for stockbroker misconduct.

What follows is a list of the most egregious broker/investment advisor stories from this past year. From an advisor charged with stealing from his own mother, to a former Soprano TV star's spouse charged with penny stock fraud, these cases highlight the downside of financial advisors entrusted with OPM- Other People's Money.

Now, for the top stories:

Allegedly Deceased Advisor Accused of $40 Million Fraud Found Alive-

Aubrey Lee Price, 47, went missing in June 2012 shortly after revealing investor losses in a cryptic letter with suicidal overtones, according to authorities. He was declared dead by a court at his wife's request later that year.

But the former Georgia investment advisor, who was presumed dead after authorities said that he bilked clients out of $40 million in a private-placement fraud, was found alive in January, 2014.

Mr. Price was sent back to court to face the criminal charges he eluded.

"Advisor to the Stars" Charged with Credit Card Theft-

Former financial advisor to the stars Dana Giacchetto was charged with fraud in federal court in Manhattan in February, facing allegations that he fraudulently spent more than $10,000 on purchases using someone else's credit card.

The fraud charges stem back to February 2013. An unnamed man claimed that Mr. Giacchetto fraudulently used his American Express card to foot the bill for airline services, food and alcohol deliveries, moving company services and dental work, according to the complaint. Mr.

Giacchetto, before being disgraced and charged with fraud, previously managed money for celebrities including Leonardo DiCaprio and Cameron Diaz.

Altogether, the fraudulent credit card charges add up to $10,405.58, according to the complaint. Mr. Giacchetto's lawyer said his client was innocent (no surprise there).

Former Merrill Broker Charged with running an 18-year Ponzi Scheme-

A former Merrill Lynch broker was back in the hot seat this past March after being indicted for orchestrating and operating an 18-year Ponzi scheme.

Former Merrill advisor Jane O'Brien, currently serving a 33-month sentence for securities fraud, faced additional charges for wire fraud, mail fraud and investment advisor fraud related to $1.3 million in misappropriated client funds, according to the U.S. Attorney's Office for the District of Massachusetts.

From June 1995 to April 2013, Ms. O'Brien, 61, convinced several clients to take money from their bank and brokerage accounts and give it to her for “private-placement investments”, according to the indictment. Instead of investing that money, however, she allegedly used it for personal expenses and to pay back other investors, the typical “salt the mine” technique used in Ponzi schemes.

In one case, Ms. O'Brien allegedly persuaded a client to invest in the Hollywood movie “Crooked Arrows.” Ms. O'Brien promised the client a 25% return, but the money instead went to pay for O'Brien's personal expenses and to make payments to other clients, according to the indictment.

Brokers Charged with Bilking Terminally Ill Patients-

The SEC filed charges against a group of brokers in March for operating an $80 million scheme where wealthy investors used variable annuities with death benefits to wager on the lives of the terminally ill.

The complaint targeted brokers Michael A. Horowitz of Los Angeles and Moshe Marc Cohen of Brooklyn, N.Y. The SEC hit both with a cease-and-desist order and allegations of fraud.

The plan — which involved the sale of more than $80 million in variable annuities — ran its course from July 2007 to February 2008. Mr. Horowitz was allegedly the “architect” of a scheme to profit from the death of terminally ill hospice and nursing home patients, according to the SEC's complaint.

Mr. Horowitz allegedly obtained the personal health and identification data of the dying patients through fraud, listing them as annuitants on variable annuity contracts that he then marketed to wealthy clients, according to the SEC's complaint. He allegedly recruited Mr. Cohen to help facilitate the sale of these “stranger-owned annuities.” Under false pretenses, both men allegedly received their broker-dealers' approval to sell the annuities. The brokers reaped a windfall in commissions from their sale, the SEC claimed, with Mr. Horowitz obtaining more than $300,000 and Mr. Cohen snagging more than $700,000.

Chicago Investment Advisor Takes over $11 Million From Clients and Spends the Money for Personal Expenses Including Funding His Wife's Baby Boutique-

The SEC alleged in a lawsuit filed in U.S. District Court for Northern Illinois that the advisor, Neal Goyal, and his firms, including Caldera Advisors LLC and Blue Horizon Asset Management LLC, operated a Ponzi scheme, making payments to early investors with money from new investors. The SEC charged Goyal with fraud, deception and manipulative practices.

Instead of investing the money, Mr. Goyal allegedly funded his business; bought two homes, including one for $1.4 million; leased luxury cars; purchased expensive artwork, jewelry and vacations, and made investments in start-up companies, including his wife Marti's Urba Baby clothing boutique, which operated two retail locations.

Broker-Dealer and Its Founder Scam Pro Athletes-

FINRA barred a broker-dealer and its founder in June for allegedly defrauding a number of current and former NFL and NBA players out of nearly $14 million as part of a Ponzi scheme.

FINRA (The Financial Industry Regulatory Authority Inc.) expelled Success Trade Securities, an online brokerage, and its founder, Fuad Ahmed, for raising money for the BD's parent company, Success Trade Inc., by issuing purportedly fake promissory notes.

According to the FINRA complaint, the notes typically had a 12.5% interest rate and a term of 36 months. Because of the financial condition of the parent company, there was little chance the notes ever would be paid, according to FINRA. Instead, the funds purportedly were used to pay Mr. Ahmed's personal expenses, including the lease on a Range Rover and balances on personal credit cards and clothes.

The 59 people who invested with Mr. Ahmed were mostly "unsophisticated investors," primarily recent college graduates starting a career as professional athletes, according to FINRA.

A report from Yahoo Sports last year noted that clients who bought Success Trades' notes included Detroit Pistons guard Brandon Knight, Cleveland Browns cornerback Joe Haden, San Francisco 49ers tight end Vernon Davis, former Washington Redskins running back Clinton Portis and Chicago Bears defensive end Adewale Ogunleye.

Former Rep Buys Groceries With Stolen Client Funds-

A former representative for an independent broker-dealer was indicted in Massachusetts in June on charges she orchestrated a $2.5 million investment fraud that promised clients high yields if they put their money in exclusive "investment clubs."

Patricia S. Miller, 67, was charged with five counts of wire fraud in U.S. District Court for the Eastern District of Massachusetts in Boston. Ms. Miller was fired in May by Investors Capital Corp., an independent broker-dealer based in Lynnfield, Mass.

Ms. Miller's alleged fraud started in 2002 and continued until May, 2014 according to the indictment. As reported on Ms. Miller's BrokerCheck report, Investors Capital fired her due to an allegation of “misappropriation of funds, borrowing money from customers, fraudulent investment activity, and creating false documents.”

According to the indictment, instead of investing the money, Ms. Miller allegedly misappropriated client funds, using them to gamble and write checks to herself. She also allegedly used client money to buy groceries, pay utility bills and make loan payments, according to the indictment.

Advisor Spends Client Money on Luxury Vacation Home and Vintage Auto-

An investment advisor in Seattle fraudulently misused more than $8 million of client assets to make loans to himself, buy a luxury vacation home and refinance a vintage automobile, according to the Securities and Exchange Commission.

The SEC's investigation found that Dennis H. Daugs Jr. and his firm, Lakeside Capital Management, borrowed $3.1 million from a client without obtaining her consent. Mr. Daugs also improperly directed an investment fund managed by the firm to make more than $4.5 million in loans and investments to facilitate personal real estate deals as well as fend off claims from unhappy Lakeside Capital clients, according to the SEC. Mr. Daugs diverted more than $500,000 from the fund to pay a settlement with the disgruntled clients.

Lakeside Capital and Mr. Daugs, who eventually paid back the diverted funds and personal loans, agreed to settle the SEC's charges and pay more than $340,000 in disgorgement and interest to the client and investment funds. He and his firm also agreed to pay a $250,000 penalty. Mr. Daugs will be barred from the securities industry for at least five years.

Ex-Husband of “Sopranos” Star Busted for Penny Stock Fraud-

Abraxas “AJ” Discala, the CEO of OmniView Capital Advisors was arrested in July — along with two registered reps with independent broker-dealers and four other individuals — on securities fraud charges in connection with market manipulation of penny stocks, according to the U.S. Attorney's office.

Mr. Discala was married in 2003 to Sopranos actress Jamie-Lynn Sigler. Ms. Sigler, who was not charged in connection with the bust, played Meadow Soprano, Tony Soprano’s bright, Columbia educated daughter. The couple separated two years later and then divorced.

The brokers included Craig L. Josephberg, 41, who was registered with Meyers Associates at the time, and Matthew A. Bell, 47, who was most recently affiliated for two months in 2013 with Securities America Inc.

The defendants, along with others, allegedly agreed to defraud investors and potential investors in four publicly traded companies: CodeSmart Holdings Inc., Cubed Inc., StarStream Entertainment Inc. and The Staffing Group Ltd., according to the indictment. They used false and misleading press releases and filing with the SEC to artificially control the price and volume of shares in those companies, in what is known as a “pump and dump” stock scheme.

The defendants also allegedly concealed their ownership interest, engineered price movements and trading volume in the stocks and made unauthorized purchases of stock in accounts of unwitting clients.

Former Broker Charged with Stealing From Blind Couple-

The Securities and Exchange Commission charged a former UBS Wealth Management Americas broker with allegedly defrauding several elderly clients, including a blind couple, as part of a five-year Ponzi scheme.

The SEC claimed Donna Tucker misappropriated more than $730,000 from her clients from January 2008 until April 2013, while she was at UBS. She used the money to pay for vacations, three cars, clothing and a country club membership, according to the SEC's complaint, while misleading clients about the status of their funds, the SEC said.

“[Ms.] Tucker engaged in unauthorized trading and other financial transactions, made misrepresentations to such customers about their investment accounts, and forged brokerage banking and other documents,” the SEC's complaint said.

In the case of one blind couple, Ms. Tucker allegedly concealed the theft of nearly $350,000 by convincing them to conduct their banking online and receive electronic statements, according to the SEC.

“[Ms.] Tucker knew that they could neither access nor receive their statements,” the SEC said.

Man Pleads Guilty to Eating Insider Trading Tips-

A New York man admitted he served as a go-between for five years by illegally passing inside corporate information to a Morgan Stanley broker on notes at Grand Central Terminal and then chewing and swallowing the evidence, Bloomberg reported in September.

Frank Tamayo, 41, pleaded guilty in federal court in Trenton, N.J., to taking part in a five-year scheme that made $5.6 million in profit. The broker, Vladimir Eydelman, 42, and Steven Metro, a law firm clerk accused of passing inside information, were charged in March and fired by their firms.

Advisor Steals Client Funds to Pay For Gambling Debts-

A former financial advisor with Ameriprise Financial Services Inc. was sentenced in October to three and a half years in prison and ordered to repay more than $3 million he allegedly stole from investors and used for personal expenses, including paying off his gambling debts, according to the U.S. Attorney's Office for the Northern District of Illinois.

From 1996 to late 2007, Oscar Donald Overbey Jr., 47, allegedly stole more than $4 million of client money instead of investing it as promised, according to court documents.

In one instance, he convinced two university workers and their daughters to invest $150,000 in a government-backed investment that supposedly provided 10% returns. The victims refinanced their home to make the investment, but Mr. Overbey used the money instead to pay for personal expenses and to make “10 Ponzi-type payments to other victims,” the U.S. Attorney's Office said.

Mr. Overbey was indicted in July 2012 and pleaded guilty to felony charges of wire fraud in February, according to court documents.

During sentencing, a doctor expressed the opinion that Mr. Overbey is a pathological gambler. During one year, federal authorities accused Mr. Overbey of being in a casino for 323 days.

Advisor Steals $1 Million in Office Supplies from Schwab-

Between February and August of last year, Jeffrey Brian Grove, who was a financial consultant in Charles Schwab & Co.’s Melbourne, Fla., branch, used the firm's order system to purchase supplies and equipment, and then sold the items to “different individuals,” according to FINRA's disciplinary database.

FINRA permanently barred Mr. Grove after he allegedly stole a total of about $1 million in office equipment.

Advisor Swindles His Own Mother in Ponzi Scheme-

Former financial advisor Jason Muskey was charged in a federal lawsuit with allegedly cheating five individuals- ***including his own mother-*** out of almost $400,000, the Scranton Times-Tribune reported in November.

The funds Mr. Muskey allegedly stole included $25,000 his mother received through a life insurance policy when his father died in 2006. Mr. Muskey allegedly covered up his crime by sending false quarterly financial statements to his clients.

Advisors Slammed For Keeping Client Funds in Madoff Investments-

Two investment advisors were ordered to pay more than $6.3 million in fines and restitution for misleading clients whose money they invested in hedge funds linked to Bernie Madoff, a Securities and Exchange Commission administrative law judge ruled in December.

Larry Grossman, a certified financial planner and founder of Sovereign International Asset Management, recommended clients invest mostly in two hedge funds he described as "moderately conservative," the SEC administrative complaint said. The two funds, however, were primarily invested in Madoff's huge Ponzi scheme of non-existent investments.

Mr. Grossman, who never discovered that the underlying funds were linked to Mr. Madoff, violated his fiduciary obligations to clients by failing to perform due diligence on these investments, which were managed by Nickolai Battoo, according to the complaint.

In October, a federal judge in Chicago ordered Mr. Battoo to pay more than $358 million for hiding losses from investments in the Ponzi scheme run by Mr. Madoff. Mr. Grossman also failed to tell clients about $3.4 million in referral and consulting fees his company received from the funds he recommended, the SEC said.

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(Thanks to the InvestmentNews for bringing these stories to our attention)