

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 53906 / May 31, 2006

ADMINISTRATIVE PROCEEDING
File No. 3-12313

In the Matter of

ROBERT W. OAKES, JR.,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO SECTION
15(b) OF THE SECURITIES EXCHANGE
ACT OF 1934, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Robert W. Oakes, Jr., (“Oakes” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions, as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

A. RESPONDENT

Oakes, 45, resides in Rumson, New Jersey and is currently a registered representative associated with a registered broker-dealer. Oakes has been associated with various registered broker-dealers from 1986 to the present. Oakes was associated with Phillip Louis Trading, Inc. ("Phillip Louis"), a broker-dealer formerly registered with the Commission, from October 1998 through September 2002 and was Phillip Louis' head trader and supervisor from May through August 2002. In his capacity as supervisor, Oakes was responsible for supervising registered representatives at Phillip Louis. At all relevant times, approximately 90-95% of Phillip Louis' business involved proprietary trading.

B. OTHER RELEVANT INDIVIDUAL

1. Joseph R. Huard, Jr. ("Huard") was a registered representative associated with various broker-dealers from 1988 through December 2002. Huard was associated as a registered representative with a Pennsylvania registered broker-dealer, from October 1988 until it closed in January 2002. Huard was also associated as a registered representative with Phillip Louis from October 1996 through December 2002. After the Pennsylvania broker-dealer closed in January 2002 Huard moved his customers to Phillip Louis. One of the customers Huard brought to Phillip Louis was a group of hedge funds ("hedge funds"). The hedge funds primarily invested in penny stocks, some of which were thinly-traded. Huard, 47 years old, is a resident of Thornton, Pennsylvania.

2. Huard was charged with conspiracy to commit and committing mail, wire and securities fraud in two separate indictments unsealed in August 2002 arising from an undercover sting operation conducted by the United States Attorney's Office. United States v. Joseph R. Huard, Jr. et al. Case No. 02-20473-CR-Graham (S.D. Fla.) and United States v. Joseph R. Huard, Jr., et al. Case No. 02-020626-CR-Ungaro-Benages (S.D. Fla.). On December 18, 2002, Huard pled guilty to one count in each indictment of conspiracy to commit wire fraud, mail fraud and securities fraud, and conspiracy to commit wire fraud and securities fraud, respectively and was sentenced to five years probation including eight months home-detention, 300 hours of community service and assessed a \$10,000 fine.

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

C. BACKGROUND

From approximately January through November 2002, Huard, while associated with Phillip Louis, participated in a manipulative trading scheme including, among other things, marking the close at month-end in numerous small cap securities comprising a substantial portion of the hedge funds' portfolios. During this period, Huard received and executed over 165 buy trades on the last day of the month in various penny stocks in the hedge funds' portfolios. Many of these trades occurred within the last thirty minutes of the close of trading and marked the month-end closing price for those securities in the hedge funds' portfolios. Huard executed these trades with the intent of affecting the price of the security and thereby inflating the value of the hedge funds' portfolios.

D. OAKES' FAILURE TO SUPERVISE

1. Oakes directly supervised Huard from May 2002 through August 2002. Oakes failed reasonably to supervise Huard with a view to preventing Huard's manipulative trading practices during this period. Oakes failed to heed the "red flags" presented by Huard's end of the day trading activity. Oakes also failed to follow Phillip Louis' written supervisory procedures that likely would have uncovered Huard's marking the close activity.

2. For example, on May 31, 2002, Huard executed 31 buy transactions for the hedge funds' account. In 19 separate transactions, Huard purchased 149,000 shares of a penny stock. The shares were purchased at various prices between \$.22 and \$.33 per share. Huard's last purchase of 25,000 shares of penny stock at \$.33 was executed at 3:59 p.m. These trades manipulated the stock price higher, which closed month-end at \$.35 per share.

3. Further, on June 28, 2002, the last trading day of the month, Huard executed 26 trades (all purchases) on behalf of the hedge funds' account. Huard purchased 111,000 shares of a penny stock in two separate transactions. The first purchase was for 91,000 shares at \$.80. The second purchase of 20,000 shares was executed at 4:00 p.m. at \$.85 and marked the close in that penny stock for the end of the month. Huard also marked the close in another penny stock with the purchase of 1,500 shares executed at 3:55 p.m.

4. Again, on July 31, 2002, Huard executed 28 trades (all purchases) on behalf of the hedge funds' portfolio. The earlier trades served to gradually raise the stock prices while the final trades, executed within the last minutes of trading, marked the closing price in two penny stocks. For example, Huard purchased 57,000 shares of a penny stock for Lancer in ten separate transactions between 3:12 p.m. and 3:54 p.m., incrementally increasing the price. Specifically, Huard purchased 5,000 shares for \$3.50 at 3:12 p.m.; 9,700 shares for \$3.60 at 3:31 p.m.; 3,000 shares for \$3.80 at 3:33 p.m. and 9,800 shares for \$4.50 at 3:54 p.m. to mark the close.

5. As Huard's supervisor, Oakes reviewed the daily order tickets to verify, among other things, that each order was properly time-stamped as required by Phillip Louis' written

supervisory procedures. Phillip Louis' written supervisory procedures also contained anti-manipulation guidelines and policies which proscribed the manipulative practice of marking the close by engaging in a trade on an "uptick" or a "downtick" at or near the close of trading. Respondent did not evaluate whether Huard's trading activity involved marking the close despite the red flags presented by the order tickets relating to Huard's trading on behalf of the hedge funds which showed most trades occurring within the last thirty minutes of the close of trading. As Huard's immediate and direct supervisor, Oakes was responsible for conducting further investigation into whether Huard was facilitating a violation of the securities laws. Oakes did not discharge his supervisory duties because he failed to investigate the red flags presented by Huard's trading activity.

6. Oakes further failed to follow Phillip Louis' written supervisory procedures by failing to conduct weekly and monthly customer account reviews as required by Phillip Louis' written supervisory procedures. Oakes' failure to do weekly and monthly customer account reviews prevented him from conducting any meaningful review of Huard's trading activities in the hedge funds' account. If such a review had been undertaken, it is likely Oakes would have noticed the large number of month-end and close of trading purchases in the hedge funds' account and uncovered Huard's marking the close activity.

E. VIOLATIONS

As a result of the conduct described above, Oakes failed reasonably to supervise Huard with a view to detecting and preventing Huard's violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

F. UNDERTAKINGS

Oakes shall provide to the Commission, within 10 days after the end of the six month suspension period described below in Section IV., an affidavit that he has complied fully with this sanction.

IV.

In view of the foregoing, the Commission deems it appropriate, in the public interest, to impose the sanctions agreed to in Respondent Oakes' Offer.

Accordingly, pursuant to Section 15(b)(6) of the Exchange Act, it is hereby ORDERED that:

A. Oakes be, and hereby is, suspended from acting in a supervisory capacity with any broker or dealer for a period of six (6) months, effective beginning the second Monday following the issuance of this Order.

B. IT IS FURTHER ORDERED that Respondent shall, within one year of the entry of this order, pay a civil money penalty in the amount of \$25,000 to the United States Treasury in

three (3) quarterly installments of \$3,333 per quarter and one final balloon payment of \$15,001 one year from the entry of the Order. The first quarterly payment of \$3,333 is due within ten (10) days from entry of the Order. Such payments shall be: (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies Oakes as a Respondent in these proceedings and sets forth the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Glenn S. Gordon, Securities and Exchange Commission, Southeast Regional Office, 801 Brickell Ave., Suite 1800, Miami, Florida 33131. Oakes agrees that if the full amount of any payment described above is not made within ten (10) days following the date the payment is required by this Order, the entire amount of civil penalties, \$25,000, minus payments made, if any, is due and payable immediately without further application.

C. Respondent shall comply with his undertaking as enumerated in Section III. F. above.

By the Commission.

Nancy M. Morris
Secretary