

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**  
**July 7, 2006**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-12359**

**In the Matter of**

**ANTHONY C. SNELL, and**  
**CHARLES E. LECROY**

**Respondents.**

**ORDER INSTITUTING**  
**ADMINISTRATIVE AND CEASE-AND-**  
**DESIST PROCEEDINGS PURSUANT TO**  
**SECTIONS 15(b)(6), 15B(c)(4), and 21C OF**  
**THE SECURITIES EXCHANGE ACT OF**  
**1934**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b)(6), 15B(c)(4), and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Anthony C. Snell and Charles E. LeCroy (collectively, “Respondents”).

**II.**

After an investigation, the Division of Enforcement alleges that:

**A.     RESPONDENTS**

1.     Anthony C. Snell (“Snell”), age 46, a resident of Smyrna, Georgia, was a Vice President in J.P. Morgan Securities, Inc.’s (“J.P. Morgan”) Atlanta, Georgia office from January 1998 until March 2004. Snell has held Series 7, 52, 53, and 63 securities licenses.

2.     Charles E. LeCroy (“LeCroy”), age 51, a resident of Winter Park, Florida, was Snell’s direct supervisor and the Managing Director of J.P. Morgan’s Southeast Regional Office in Orlando, Florida. LeCroy has held Series 7, 24, 53, and 63 securities licenses.

**B.     OTHER RELEVANT ENTITIES**

1.     J.P. Morgan Securities, Inc., a member of the NASD and NYSE, is a broker-dealer and a municipal securities dealer registered with the Commission. J.P. Morgan is incorporated in Delaware and its principal place of business is in New York, New York.

### C. CONDUCT OF SNELL AND LECROY

1. In April 2003, in an effort to circumvent the requirements of Rule G-38 of the Municipal Securities Rulemaking Board (“MSRB”), Snell and LeCroy submitted a fictitious invoice to J.P. Morgan seeking a \$50,000 payment for legal services to Ronald A. White (“White”), an influential attorney with close ties to senior city officials in the City of Philadelphia, when they knew that such legal services had not been provided. Among other things, Rule G-38 requires municipal securities dealers to prepare written agreements memorializing their relationship with consultants<sup>1</sup> and to disclose their consulting arrangements to relevant issuers and the Municipal Securities Rulemaking Board.<sup>2</sup>

2. White had previously declined to sign a Rule G-38 agreement with J.P. Morgan. However, White still wanted to perform consulting services and be paid for acting as a Rule G-38 consultant. White ultimately did advocate on behalf of J.P. Morgan for municipal securities business from the City of Philadelphia. To satisfy White’s requests for payment, Snell instructed him to prepare the invoice so that it appeared to be solely for legal services performed in connection with a bond issue that had recently closed in Mobile, Alabama. The provision of such legal services would have been exempt from the requirements of Rule G-38. Snell and LeCroy submitted the invoice to J.P. Morgan for payment, despite knowing that White had not, in fact, provided any legal services on the Mobile, Alabama bond offering (“Mobile deal”). J.P. Morgan honored the invoice and paid White \$50,000.

3. In June 2004, the United States Attorneys’ Office for the Eastern District of Pennsylvania (“USAO”) indicted Snell and LeCroy, in addition to several other individuals, on multiple counts related, primarily, to Philadelphia’s “pay to play” system of awarding municipal securities business. Snell and LeCroy were each charged with two counts of wire fraud stemming

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<sup>1</sup> At the time of this payment in 2003, Rule G-38 defined “consultant” to mean any person used by a broker, dealer, or municipal securities dealer to obtain or retain municipal securities business through direct or indirect communication by such person with an issuer on behalf of such broker, dealer or municipal securities dealer where the communication is undertaken by such person in exchange for, or with the understanding of receiving, payment from the broker, dealer or municipal securities dealer or any other person; provided, however, that the following persons shall not be considered consultants for purposes of this rule: (A) a municipal finance professional of the broker, dealer or municipal securities dealer; and (B) any person whose sole basis of compensation from the broker, dealer or municipal securities dealer is the actual provision of legal, accounting or engineering advice, services or assistance in connection with the municipal securities business that the broker, dealer or municipal securities dealer is seeking to obtain or retain.

<sup>2</sup> On August 17, 2005, the Commission approved amendments to Rule G-38, which replaced the existing rule on consultants with a new rule prohibiting municipal securities dealers from paying any persons not affiliated with the dealer to solicit municipal securities business. The revised Rule G-38 became effective on August 29, 2005 and provides in relevant part that “no broker, dealer, or municipal securities dealer may provide or agree to provide, directly or indirectly, payment to any person who is not an affiliated person of the broker, dealer or municipal securities dealer for a solicitation of municipal securities business on behalf of such broker, dealer or municipal securities dealer.”

from the fictitious \$50,000 invoice. Snell and LeCroy pleaded guilty to both counts of wire fraud in January 2005, and were sentenced by the Court in July 2005.

4. Snell and LeCroy met with White in 2001 and believed that because of White's relationship with senior city officials, White could assist them in obtaining municipal business as a hired consultant for J.P. Morgan. In December 2001, Snell and LeCroy arranged for White to meet with J.P. Morgan's head of public finance to discuss entering into a formal Rule G-38 consulting agreement. White declined to sign a Rule G-38 agreement with J.P. Morgan because he did not want to make the required disclosures, and because J.P. Morgan prohibited its consultants from making any political contributions or other payments to issuers.

5. Snell and LeCroy knew that White had declined to enter into a Rule G-38 consulting agreement with the firm. J.P. Morgan was still interested in fostering a relationship with White, however, and agreed to use his legal services, make contributions to his favorite charities and provide opportunities for a printing company, RPC Unlimited, Inc. ("RPC"), owned by White's paramour, in order to establish and maintain a relationship with him. J.P. Morgan enlisted White's legal assistance on one bond issue involving the Philadelphia International Airport which closed in April 2002. J.P. Morgan paid White for his legal services on this offering.

6. Although White declined to sign a Rule G-38 consulting agreement with J.P. Morgan, White did lobby on behalf of J.P. Morgan in conversations with both the Treasurer and Director of Finance for the City of Philadelphia. For example, in early 2003, Snell contacted White to request his assistance with the Philadelphia Municipal Authority bond offering (the "PMA deal"), a transaction on which J.P. Morgan was working with the City. Initially, the PMA deal was going to be a swap transaction. Swaps typically generate much larger fees for the investment banks involved in the transactions than traditional bond offerings. In April 2003, Snell learned that the City decided not to structure the deal as a swap, but rather as a standard cash market refunding. In April 2003, Snell called White and asked him to contact the Treasurer on J.P. Morgan's behalf to see if he would take a second look at the deal and allow J.P. Morgan to do the transaction as a swap, as originally planned. As Snell requested, White agreed to talk to the Treasurer about switching the deal back to a swap transaction. Although the transaction remained a bond offering, J.P. Morgan received \$423,963 as senior manager on this offering.

7. In addition, the Director of Finance testified throughout the criminal trial that White had "advocated" on behalf of J.P. Morgan. The Director of Finance identified at least four separate transactions, including the PMA Deal, in which White endorsed J.P. Morgan for City business. Specifically, she testified that White advocated for J.P. Morgan's inclusion in a bond issue involving the Philadelphia Convention Center, although the deal ultimately did not close. White advocated for J.P. Morgan to be included in a swap transaction involving the Philadelphia Airport, which closed in 2002. The Director of Finance also identified a workers' compensation deal which did not come to fruition due to tax issues.

8. Although White may not have always been successful in his efforts to increase J.P. Morgan's role in municipal securities business with the City of Philadelphia, it is clear that White acted on J.P. Morgan's behalf, and attempted to get J.P. Morgan included on multiple

deals with the City of Philadelphia. As Snell testified at trial, White had managed to “assist J.P. Morgan in getting city business here in Philadelphia.”

9. White did not advance J.P. Morgan’s interests for free. Rather, White promoted J.P. Morgan in exchange for J.P. Morgan’s contributions to his favorite charitable causes, use of his paramour’s printing business, and the retention of his law firm for legitimate legal services. Over time, it became difficult for Snell and LeCroy to find ways to legally compensate White to White’s satisfaction since White had refused to be a publicly-disclosed Rule G-38 consultant for J.P. Morgan.

10. J.P. Morgan refused requests from Snell for larger contributions to White’s charities, and Snell and LeCroy could not find transactions for which it was appropriate to retain White’s legal services. On several occasions, White told Snell that he was dissatisfied with what he considered J.P. Morgan’s “reciprocating or meeting [their] commitments to him” with respect to his efforts in helping J.P. Morgan get municipal securities business in Philadelphia. Snell and LeCroy were concerned that White, if not satisfied, could be “an impediment to doing business in Philadelphia,” and would tell officials in the City government that J.P. Morgan should not be included in municipal finance transactions.

11. Ultimately, in April 2003, after failing to secure printing business for RPC, and failing to identify additional legal work for White’s firm, Snell and LeCroy devised a plan whereby J.P. Morgan would pay White \$50,000 for legal services White had not provided. LeCroy suggested they pay White from the fees J.P. Morgan had received from the Mobile bond issue. In April 2003, Snell and White instructed White’s bookkeeper to prepare an invoice in the amount of \$50,000 from White to J.P. Morgan for services rendered in connection with the Mobile bond issue. LeCroy was the senior J.P. Morgan employee on the Mobile offering; Snell did not work on it. The invoice, directed from White’s law firm to LeCroy and Snell at J.P. Morgan, is dated April 8, 2003, references the “\$121,550,000 Mobile County, Alabama, Limited Obligation School Warrants, Series 2003,” and bills \$50,000 “for professional services rendered as special counsel to the underwriter.” It sought a wire payment to a Ronald A. White, PC corporate account at Commerce Bank in Philadelphia.

12. Over the next several weeks, White checked with his office and with Snell several times to make sure the invoice was sent and paid. In a telephone conversation on May 23, 2003 during which White was in Philadelphia and Snell was in his office in Atlanta, Snell assured White that the invoice would be paid within approximately one week. At J.P. Morgan, the invoice was approved by LeCroy, then by LeCroy’s supervisor, and finally by a corporate attorney who signed off on legal bills as a “formality.” On May 30, 2003, J.P. Morgan wired \$50,000 from its bank account in Tampa, Florida to White’s law firm’s account in Philadelphia.

13. After arranging for J.P. Morgan to pay White \$50,000 for services he did not provide, Snell and LeCroy continued to search for municipal securities business with the City of Philadelphia that could involve legal work for White’s firm, printing work for RPC, and charitable contributions to White’s favorite causes.

14. On June 29, 2004, the USAO announced the filing of a 56-count indictment against Snell, LeCroy, and ten other individuals charging, among other things, wire fraud, mail fraud, conspiracy to commit honest services fraud, perjury and extortion. See U.S. v. White, et.al. Crim. No. 04-00370 (E.D. Pa., June 29, 2004). The charges in the indictment stemmed, primarily, from the relationship between the former Treasurer of the City of Philadelphia, and White. Among other things, the indictment alleged that the defendants unlawfully bestowed gifts upon the Treasurer and/or White in exchange for favorable treatment from senior city officials. Specifically, the indictment alleged that Snell and LeCroy unlawfully arranged for White to receive \$50,000 for work White did not perform.

15. On January 13, 2005 and January 18, 2005, respectively, Snell and LeCroy pleaded guilty to two counts of mail fraud in violation of Title 18 United States Code, Section 1343 before the United States District Court for the Eastern District of Pennsylvania, in United States v. White, et al., Crim. No. 04-00370. Snell was sentenced to two years probation, including 90 days house arrest, and was ordered to pay a \$15,000 fee and \$200 special assessment. LeCroy was sentenced to three months incarceration per charge, to be served concurrently, and two years supervised release including 90 days home custody. The Court also ordered LeCroy to pay a fine in the amount of \$15,000 and a \$200 special assessment. LeCroy and Snell were jointly and severally liable for paying restitution to J.P. Morgan in the amount of \$50,000.

16. The counts of the criminal indictment to which Snell and LeCroy pleaded guilty alleged that they had engaged in a scheme or artifice to defraud and to obtain money or property by means of materially false or fraudulent pretenses, representations, or promises by directing White to submit a false invoice to J.P. Morgan seeking the payment of \$50,000 for legal work which White did not actually perform.

17. The convictions of Snell and LeCroy arose out of the conduct of a broker-dealer and municipal securities dealer.

#### D. VIOLATIONS

1. As a result of the conduct described above, Respondents willfully violated Section 15B(c)(1) of the Exchange Act by using the mails or any means or instrumentality of interstate commerce to effect any transaction in, or to induce or attempt to induce the purchase or sale of, any municipal security in contravention of any rule of the Municipal Securities Rulemaking Board.

2. As a result of the conduct described above, Respondents willfully violated MSRB Rule G-38 which requires broker-dealers and associated persons of broker-dealers that use consultants to set forth in writing, at a minimum, the name, company, role and compensation arrangement of each such consultant prior to the consultant communicating with any issuer on its behalf, and to disclose this information both to the relevant issuer and the MSRB for public dissemination.

### III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

A. Whether the allegations set forth in Section II are true and, in connection therewith, to afford Respondents an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondents pursuant to Sections 15(b) and 15B(c) of the Exchange Act including, but not limited to civil penalties pursuant to Section 21B of the Exchange Act;

C. Whether, pursuant to Section 21C of the Exchange Act, Respondents should be ordered to cease and desist from committing or causing violations of and any future violations of Section 15B(c)(1) of the Exchange Act and MSRB Rule G-38.

### IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondents shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondents fail to file the directed answer, or fail to appear at a hearing after being duly notified, the Respondents may be deemed in default and the proceedings may be determined against them upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondents personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness

or counsel in proceedings held pursuant to notice. Since this proceeding is not “rule making” within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Nancy M. Morris  
Secretary