

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
July 21, 2004

ADMINISTRATIVE PROCEEDING
File No. 3-11552

In the Matter of

RONALD D. BROUILLETTE,
JR.,

Respondent.

ORDER INSTITUTING PUBLIC
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) 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 proceedings be, and hereby are, instituted pursuant to Section 15(b)(6) of the Securities Exchange Act of 1934 (“Exchange Act”) against Ronald D. Brouillette, Jr. (“Brouillette” or “Respondent”).

II.

After an investigation, the Division of Enforcement alleges that:

A. Background

1. Respondent formerly was a registered representative, holding Series 3, 7, 11, 22, 62 and 63 licenses. Since he was terminated in August 1999 by his former employer, Centex Securities, Inc. (“Centex”), Brouillette has not been associated with a registered brokerage firm. The NASD suspended Brouillette in October 2001 for engaging in “egregious unauthorized trading” and failing to cooperate with an inquiry conducted by the NASDR in an unrelated matter. Brouillette is currently facing charges in California state criminal proceedings arising out of an alleged subsequent securities-related fraud. Respondent is a resident of California.

2. Pay Pop, Inc. (“Pay Pop”), now defunct, was a Nevada corporation purchased in July 1998 by a Canadian citizen, Robert Zaba (“Zaba”). At all relevant times, Pay Pop stock was traded in the United States via the NASD’s Over-the-Counter Bulletin Board. From October 1998 through August 1999, Brouillette was an associated

person of Centex, which made a market in Pay Pop stock in the United States.

B. Permanent Injunction Entered Against Brouillette

3. On September 25, 2003, the Commission filed a complaint against Respondent in the United States District Court for the District of Columbia, based on alleged violations of certain provisions of the federal securities laws, in a civil action entitled *SEC v. Daryl Desjardins, et al.*, Civil Action No. 1:03CV01992 (PLF). The complaint alleged that, between 1998 and 1999, Brouillette participated in a fraudulent “pump and dump” scheme to sell the stock of Pay Pop to the public. Specifically, the complaint alleged that, along with Zaba and Daryl Desjardins (“Desjardins”), Brouillette was one of the principal architects of the scheme involving Pay Pop stock.

4. The complaint alleged, among other things, that Brouillette set up accounts at Centex in Desjardins’ name, as well as in the names of nominees of Desjardins and Zaba. Brouillette used false information to set up these accounts and then effected trades in Pay Pop stock to create the appearance of genuine demand for Pay Pop stock. The complaint further alleged that Brouillette received dozens of share certificates, for hundreds of thousands of shares, in the names of Desjardins and his nominees, and deposited them in the Centex accounts. Brouillette then sold the Pay Pop stock in the nominee accounts. The complaint alleged that, to effect this scheme, Brouillette drafted the trade or transfer authorizations required by his firm’s clearing broker, and secured the required nominee signatures, knowing that these signatures would be forged by, or at the direction of, Desjardins. The complaint also alleged that Brouillette was active in assuring that there were buyers for Pay Pop stock by making false representations to his customers or by omitting material information, in addition to making numerous baseless assurances of quick gains to encourage customer purchases of Pay Pop stock, and making unauthorized trades in his clients’ accounts in Pay Pop stock. The complaint alleged that Brouillette made at least \$63,786 from his participation in the scheme. Brouillette never disclosed to customers to whom he sold Pay Pop stock that he was simultaneously selling millions of Pay Pop shares for Desjardins or for his own benefit. Brouillette was served with the complaint on September 29, 2003.

5. On July 1, 2004, the United States District Court for the District of Columbia entered a Final Judgment of Permanent Injunction, Disgorgement and Other Relief against Brouillette: (i) permanently enjoining Brouillette from, directly or indirectly, violating Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 and Sections 10(b) and 15(a)(1) of the Exchange Act Rule and 10b-5 thereunder; (ii) barring Brouillette from participating in any penny stock offering; (iii) ordering Brouillette to pay disgorgement, which includes prejudgment interest, of \$84,126.22; and (iv) reserving judgment as to imposition of a penalty.

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

proceedings be instituted pursuant to Section 15(b)(6) of the Exchange Act to determine:

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

B. What, if any, remedial action is appropriate and in the public interest pursuant to Section 15(b)(6) of the Exchange Act.

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 at a time and place to be fixed and before an Administrative Law Judge to be designated by further order as provided by Rule 200 of the Commission's Rules of Practice, 17 C.F.R. § 201.200.

IT IS FURTHER ORDERED that Respondent 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 Respondent fails to file the directed answer or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him 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), 221(f) and 201.310.

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

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 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.

For the Commission, by its Secretary, pursuant to delegated authority.

Jonathan G. Katz
Secretary