

UNITED STATES OF AMERICA  
before the  
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934  
Rel. No. 66530 / March 7, 2012

Admin. Proc. File No. 3-14486

In the Matter of

ROBERT HARDEE QUARLES  
c/o Craig L. Landauer, Esq.  
Pickard and Djinis LLP  
1990 M Street, NW, Suite 660  
Washington, DC 20036

**ORDER GRANTING PETITION TO VACATE ADMINISTRATIVE BAR ORDER**

**I.**

Robert Hardee Quarles ("Quarles") has petitioned the Commission to vacate an administrative bar order imposed on him in 1985. For the reasons set forth below, we have determined to grant Quarles's petition.

**II.**

**Background.** In 1984, an administrative law judge rendered an initial decision finding, inter alia, that Quarles had violated Sections 5(a), 5(c), 17(a)(2), and 17(a)(3) of the Securities Act of 1933 ("Securities Act") by offering and selling non-exempt securities without a valid and effective registration statement and also by misleading his customers regarding the nature and risks of those securities. The law judge suspended Quarles from association with a broker or dealer for six months and barred him permanently from associating with a broker or dealer in a supervisory or proprietary capacity. On February 13, 1985, the initial decision of the law judge with respect to Quarles became the final decision of the Commission.

Quarles served his suspension, which ended in October 1985, without incident. In August 1987, NASD approved his application to associate with a member firm as a general securities representative and notified the Commission of that decision. With the exception of the period from March 1989 to April 1990, Quarles has been continuously employed with securities firms since his August 1987 re-entry into the securities profession and has been associated with

his current employer for more than 20 years.

### III.

**Parties' Contentions.** Quarles is 70 years old and has been subject to his administrative supervisory and proprietary bar for more than 26 years. More than 30 years have passed since the misconduct underlying the bar. Quarles represents – and the Division does not contest – that he has complied with all aspects of the Commission's bar order, and that he has been almost continuously employed in the securities industry for the past 24 years, including for more than 20 years with his current employer. In the decades since the Commission's action, he has not incurred any further regulatory interest.<sup>1</sup>

Quarles's violations occurred in the late 1970s, when he was a new broker in his first job in the securities industry. The securities that he sold in violation of the registration and non-scienter antifraud provisions of the securities laws were "standby with pair-off agreements" for the purchase and sale of exempt government securities. (Although the underlying government securities were exempt from registration, the standby with pair-off agreements were not.) Quarles argues that his employer misled him as to the nature of the securities and the risks that his customers would incur. For example, Quarles argues that the standby with pair-off agreements appeared on their surface to be similar to government securities that he knew to be exempt from registration, and his firm did not advise him or his colleagues otherwise. Additionally, his firm assured him and his colleagues in training sessions that their customers could not lose money on these transactions and that the firm would provide all of the customers with a guarantee to that effect.

Quarles asserts that he continues to suffer consequences as a result of the supervisory and proprietary bar, but that such consequences are no longer in the public interest. For example, the proprietary portion of the bar prevents Quarles from participating in his current employer's employee partnership plan, which allows employees to purchase ownership interests in the firm. The supervisory portion of the bar also prevents him from participating in his employer's mentor program, in which the firm's senior employees provide training and guidance to the firm's more junior employees.

The Division supports Quarles's petition and urges the Commission to grant the requested relief. The Division acknowledges that the law judge found several factors that mitigated Quarles's misconduct, including his lack of securities sales experience at the time of his misconduct, his confusion over whether the securities were required to be sold in registered offerings, and the misleading acts and representations of his superiors. The Division also

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<sup>1</sup> In his petition, Quarles represents that in the late 1980s, he applied to become registered with the State of Florida, which denied his application based on the Commission's action against him and the administrative bar. According to Quarles, the denial was a collateral consequence of that action and the bar; it was not based on any new or uncharged conduct by Quarles. The Division has not challenged or objected to Quarles's representations.

acknowledges that Quarles has been almost continuously employed in the securities industry without regulatory difficulties for 24 years. Additionally, the Division cites to three cases in which the Commission has granted relief from administrative bars in cases with facts and circumstances similar to those presented by Quarles's petition.<sup>2</sup>

#### IV.

**Analysis.** We have stated that "[i]n reviewing requests to lift or modify administrative bar orders, the Commission will determine whether, under all the facts and circumstances presented, it is consistent with the public interest and investor protection to permit the petitioner to function in the industry without the safeguards provided by the bar."<sup>3</sup> However, our longstanding approach to Commission administrative bars has been that they "will remain in place; relief will be appropriate only in compelling circumstances."<sup>4</sup> This approach "ensures that the Commission, in furtherance of the public interest and investor protection, retains its continuing control over such barred individuals' activities."<sup>5</sup> We have held, however, that we "will act in response to those situations in which, under all the facts and circumstances, the equitable need for relief, consistent with the public interest and investor protection, warrants vacating or modifying a Commission bar order."<sup>6</sup>

Consideration of a range of factors guides the Commission's public interest/investor protection inquiry, and no one factor is dispositive. Among these factors are (1) the nature of the misconduct at issue in the underlying matter; (2) the time that has passed since issuance of the administrative bar; (3) the compliance record of, and any regulatory interest in, the petitioner since issuance of the administrative bar; (4) the age and securities industry experience of the petitioner, and the extent to which the Commission has granted prior relief from the administrative bar; (5) whether the petitioner has identified verifiable, unanticipated consequences of the bar; (6) the position and persuasiveness of the Division of Enforcement, as expressed in response to the petition for relief; and (7) whether there exists any other circumstance that would cause the requested relief from the administrative bar to be inconsistent with the public interest or the protection of investors.<sup>7</sup>

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<sup>2</sup> *Mark E. Ross*, Securities Exchange Act Rel. No. 43033 (July 13, 2000), 72 SEC Docket 2587; *John W. Bendall, Jr.*, Securities Exchange Act Rel. No. 38326 (Feb. 24, 1997), 63 SEC Docket 2790; *Ralph J. Hayes*, Securities Exchange Act Rel. No. 36604 (Dec. 19, 1995), 60 SEC Docket 2880.

<sup>3</sup> *Ciro Cozzolino*, 57 S.E.C. 175, 181 (2003); *Edward I. Frankel*, 57 S.E.C. 186, 193 (2003); *Stephen S. Wien*, 57 S.E.C. 162, 170 (2003).

<sup>4</sup> *Cozzolino*, 57 S.E.C. at 181; *Frankel*, 57 S.E.C. at 193; *Wien*, 57 S.E.C. at 170.

<sup>5</sup> *Cozzolino*, 57 S.E.C. at 182; *Frankel*, 57 S.E.C. at 194; *Wien*, 57 S.E.C. at 171.

<sup>6</sup> *Cozzolino*, 57 S.E.C. at 182-83; *Frankel*, 57 S.E.C. at 194-95; *Wien*, 57 S.E.C. at 171.

<sup>7</sup> *Cozzolino*, 57 S.E.C. at 181-82; *Frankel*, 57 S.E.C. at 193-94; *Wien*, 57 S.E.C. at 170

On balance, based on a review of all the facts and circumstances, we deem it appropriate to vacate our prior order. Quarles is 70 years old. More than 26 years have passed since the bar was imposed, a time frame that is lengthy and weighs in favor of relief. Moreover, since the bar was imposed, he has been almost continuously employed in the securities profession. His six-month suspension ended on October 5, 1985. In August 1987, NASD approved his application to associate with a member firm as a general securities representative. From that time, Quarles has been almost continuously employed in the securities industry as a general securities representative, including a span of more than 20 years with his current firm.

Quarles has no record of further regulatory or compliance problems. He has represented that his record since the imposition of the bar has been unblemished, and that the Commission's action against him was the only regulatory action taken against him in some 30-plus years in the securities profession. This factor also weighs in favor of relief.

Accordingly, IT IS ORDERED that the February 13, 1985 bar order entered against Robert Hardee Quarles be, and it hereby is, VACATED.

By the Commission.

Elizabeth M. Murphy  
Secretary