

STATE OF MAINE  
OFFICE OF SECURITIES  
121 STATE HOUSE STATION  
AUGUSTA, ME 04333

IN RE  
ROBERT KENNETH LINDELL, JR.

NOTICE OF INTENT  
TO REVOKE A SALES  
REPRESENTATIVE  
LICENSE, TO BAR FROM  
ASSOCIATION AND TO  
IMPOSE A CIVIL PENALTY  
02-025

ALLEGATIONS

1. Robert Kenneth Lindell, Jr. ("Lindell") is a resident of Maine, living in Frankfort, Maine. He is a sales representative (CRD #2550012) of Edward D. Jones & Co., L.P. ("Edward Jones") and worked out of the Edward Jones' office located at 171 High Street in Belfast, Maine from October, 1996 to October 10, 2001.
2. In or about January 1999, Linda and Robert Demers ("the Demers"), both Maine residents, met Lindell at the Edward Jones' offices in Belfast, Maine and instructed Lindell to invest their portfolio of \$114,000 of cash and securities. At this time, Lindell represented to the Demers that he would be able to invest their monies in such a way as to provide them with a monthly income of \$1,400 while, at the same time, preserving their principal for at least the first year. The Demers accordingly instructed Lindell to invest their monies in such a way as to preserve the principal of \$114,000 and to provide them with a monthly income of only \$1,200 so as to ensure that the Demers' principal was not put at risk. Lindell further represented that if there were any changes to the investment strategies they had discussed, he would notify the Demers at once.
3. At their meeting, the Demers also informed Lindell that a portion of their investment monies had come from a settlement emanating from a work-related injury that Mr. Demers had suffered. The Demers accordingly instructed Lindell that he should invest these monies in such a way that the Demers would not have to pay any unnecessary taxes. Lindell accordingly represented to the Demers that he would invest these monies in a way that would afford the Demers favorable tax treatment.
4. In or about March 1999, the Demers also instructed Lindell to invest Mrs. Demers' savings of \$6,400 into another account that was safe and would yield a more favorable interest rate than the rate currently being yielded at the Demers' bank.

The Demers specifically instructed Lindell that these monies were to be held in an account separate from their other investments. Lindell represented to the Demers that he would keep these monies separate from those he had already invested on their behalf and, further, that he would invest these monies in a money market account that would yield an interest rate of over 4 percent.

5. In or about February 2000, Mrs. Demers reviewed her account statements and could not determine from them into which account her \$6,400 had been invested. The Demers accordingly asked Lindell where he had invested Mrs. Demers' savings of \$6,400. Lindell informed the Demers that he had not created a separate account for Mrs. Demers but rather had put these monies into Mr. Demers' account. He further stated that he had been using Mrs. Demers' savings of \$6,400 as a "slush fund, as a way of moving their money around." The Demers objected, reminding Lindell of their previous instructions to him. Lindell said that he would immediately put these monies into a money market account as the Demers had originally instructed him to do.
6. Lindell then proceeded to transfer some of Mr. Demers' securities and cash into a separate account for Mrs. Demers. In an effort to raise \$6,400 for Mrs. Demers' account, Lindell also created a margin account for Mr. Demers. The proceeds from this margin account were then deposited into Mrs. Demers' account by Lindell. However, Lindell's actions in this regard resulted in the Demers having to pay interest on a margin loan in the amount of \$3,900. Accordingly, Lindell's failure to follow the Demers' instructions resulted in the Demers having to pay interest on the margin loan.
7. In or about February, 2000, the Demers were informed by their accountant that they owed taxes on their investments in excess of \$3,000. When the Demers confronted Lindell about their taxes, Lindell responded that it was not his fault, but rather the fault of Putnam Funds ("Putnam"), where much of the Demers' monies had been invested. Lindell then advised the Demers to transfer all of their monies away from Putnam and into Edward Jones' account which, Lindell represented, would thereby give him better control over the Demers' monies.
8. In or about July, 2000, Lindell advised the Demers that their monthly income ought to be reduced from \$1,200 to \$1,000 in order to preserve their principal because the market was not performing well. The Demers accepted Lindell's advice in this regard.
9. Also in or about July 2000, the Demers received an Edward Jones' portfolio statement showing that their principal had diminished from \$114,000 to \$104,383. Lindell misrepresented to the Demers at this time that there was a mistake in the Edward Jones' portfolio statement. In furtherance of this misrepresentation, Lindell produced and provided to the Demers a fictitious portfolio statement created by Lindell purporting to value the Demers' investments at approximately \$118,950.

10. In or about August 2000, the Demers, anxious that they not lose any more of their principal, instructed Lindell to “put a lock” on their investments should they fall below \$102,000 at which time the Demers and Lindell would discuss investing their monies in a different manner.
11. In or about September 2000, the Demers received another portfolio statement from Edward Jones showing that their principal had further diminished to approximately \$98,850. When the Demers asked Lindell about Edward Jones’ September portfolio statement, Lindell again misrepresented to them that the Edward Jones’ portfolio statement was inaccurate. In furtherance of this misrepresentation, Lindell produced and provided to the Demers a second fictitious portfolio statement purporting to value the Demers’ investments at approximately \$112,400.
12. At or about this time, the Demers contacted the customer relations department at Edward Jones’ main office to inquire as to why they had received two different statements for each of the months of August and September. The Demers were informed that the Edward Jones’ portfolio statements were correct and that they should speak to Lindell directly regarding this matter.
13. In or about January 2001, the Demers confronted Lindell about the discrepancy between the statements that they had received from him and Edward Jones. Once again, Lindell misrepresented to the Demers the value of their investments. In furtherance of this misrepresentation, Lindell produced and provided to the Demers a third fictitious portfolio statement purporting to value the Demers’ investments at \$119,470.00.
14. In or about the early part of 2001, Lindell advised the Demers that they should reduce their monthly income further to \$900 in order to reduce the margin account that Lindell had established on Mr. Demers’ behalf. The Demers accepted Lindell’s advice in this regard.
15. On or about February 1, 2001, the Demers visited the Edward Jones’ office in Belfast to inquire further about the discrepancies in the portfolio statements they had been receiving. At this time, Lindell was not in the office and the Demers were advised by Lindell’s administrative assistant that their investments were worth approximately \$89,200 only. When the Demers informed Lindell’s administrative assistant that they had been receiving different statements from Lindell, she was unable to provide them with a satisfactory explanation.
16. On or about February 16, 2001, the Demers confronted Lindell about the discrepancies in the portfolio statements they had been receiving. Lindell again misrepresented to the Demers the value of their investments by producing and providing to them a fictitious portfolio statement purporting to value the Demers’ investments at approximately \$113,450.

17. In or about early March, 2001, the Demers contacted Lindell again on several occasions to confront him about the discrepancies in their portfolio statements. Lindell insisted yet again that his statements were accurate, even after the Demers had informed him that they had checked their investment accounts themselves.
18. Finally, on or about March 12, 2001, Lindell admitted to the Demers that he had found a mistake that he had made and that their investments were worth approximately \$82,435 only.
19. Even after this time, Lindell attempted to placate the Demers by representing that he would purchase term life insurance on their behalf and at no cost to them. Lindell further represented to the Demers that he would also reimburse all commissions that he had thus far received in respect of their investments. Furthermore, Lindell represented to the Demers that, by doing so, he would continue to be able to provide them with a monthly income of \$1,000.
20. In or about April 2001, Lindell also attempted to placate the Demers by advising them to buy 1,000 shares of High Yield Plus FD Inc. Lindell recommended this investment as a way of paying off the Demers' margin account. He further represented that the return in this investment would yield over 12 percent. The Demers accepted Lindell's advice in this regard. However, in doing so and without informing the Demers, Lindell purchased these shares using the Demers' margin account, thereby increasing the Demers' margin account by approximately \$6,000. Lindell's actions in this regard were inappropriate given that the intent of this transaction was to pay off the Demers' margin account.
21. In or about August 2001, Lindell again attempted to persuade the Demers that they should sell all of their investments held by Putnam and put \$45,000 of their monies into Lord Abbott with the remainder to be put in Hartford. Lindell represented that, by doing so, he would be able to provide the Demers with a monthly income of \$800 in August and \$550 in September, to be reviewed regularly by Lindell and the Demers thereafter.
22. The Demers declined Lindell's advice and, further told him that they no longer had any faith in him. Shortly thereafter, the Demers obtained the services of another broker at a different firm to invest on their behalf.
23. By giving the Demers fictitious statements and misrepresenting the value of their portfolio, Lindell has committed fraud in violation of 32 M.R.S.A. § 10201.
24. Pursuant to 32 M.R.S.A. § 10313(G), the Securities Administrator may, after notice and opportunity for hearing, by order, revoke any license and bar any applicant or licensee from association with an issuer, licensed broker-dealer or investment adviser, if the Securities Administrator finds that the order is in the

public interest and the applicant or licensee has engaged in any unlawful, unethical or dishonest conduct or practice in the securities business.

25. The activities of Lindell described above constitute unlawful, unethical and dishonest conduct and practice in the securities business in violation of 32 M.R.S.A. § 10313(1)(G) and are contrary to the public interest. They are therefore grounds for a revocation of license and bar pursuant to 32 M.R.S.A. § 10313(1).
26. Pursuant to 32 M.R.S.A. §§ 10602(1)(C) and (E), if the Securities Administrator reasonably believes that a person has engaged, is engaging or is about to engage in any act or practice constituting a violation of any provision of the Act, the Securities Administrator may bar that person from association with any issuer, broker-dealer or investment adviser in the State of Maine and, further, may impose a civil penalty of up to \$1,500 per violation.
27. As set out above, Lindell has made untrue statements of a material fact and, further, has committed fraud and deceit in connection with the offer, sale and purchase of securities in violation of 32 M.R.S.A. § 10201, both of which constitute grounds for revocation, bar and civil penalty pursuant to 32 M.R.S.A. § 10602.

### NOTICE

Pursuant to 32 M.R.S.A. §10708, notice is hereby given that the Securities Administrator intends to issue an Order pursuant to 32 M.R.S.A. §§ 10313 and 10602 against Lindell to revoke his sales representative license, bar him from association with any issuer, broker-dealer or investment adviser in the State of Maine, and impose a civil penalty upon him in the amount of \$6,000, to prohibit further violations of the Revised Maine Securities Act.

Pursuant to 32 M.R.S.A. § 10708(2), Lindell has thirty (30) calendar days from the entry of this notice of Intent to file a written request for a hearing.

10/23/2001  
Date: \_\_\_\_\_

*Christine A. Bruenn*  
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Christine A. Bruenn  
Securities Administrator