

BEFORE THE SECURITIES COMMISSIONER
OF THE STATE OF DELAWARE

IN THE MATTER OF:

JEFFREY JURRIST,

Respondent.

)
)
)
)
)
)
)

Case No. 92-03-02

W. Michael Tupman, Deputy Attorney General, Department of Justice,
Wilmington, Delaware, attorney for the State.

Steven D. Goldberg, Esquire, Theisan Lank Mulford & Goldberg,
Wilmington, Delaware, attorney for the respondent.

OPINION AND ORDER

February 7, 1994
Wilmington, Delaware

I. The charges

Charges were originally issued by the Delaware Securities Division against the respondent, Jeffrey Jurrist, and against his former employer, Barrett Day Securities, Inc., ("Barrett Day") on June 17, 1993. These charges were superseded by the issuance of new charges, entitled "Revised Notice of Intent to Suspend or Revoke Broker-Dealer and Agent Registrations" (hereinafter "Revised Notice"), which were issued against Mr. Jurrist and Barrett Day on August 4, 1993. The Revised Notice alleged that on June 12, 1991, Mr. Jurrist made a fraudulent sale of securities to [redacted] a Delaware resident. The securities consisted of 30,000 warrants issued by Quicksilver Enterprises, Inc. ("Quicksilver"), at 5/16 per warrant for a total cost of \$9,387. The Revised Notice alleged that, although the warrants were due to expire on July 31, 1991, at the time of sale Mr. Jurrist told Mr. [redacted] that the warrants would be extended by Quicksilver and that the extension was a "done deal." It was alleged that this statement was a willful misrepresentation of a material fact in violation of 6 Del. C. § 7303(2) and § 7316(a)(2). The Revised Notice also alleged that Mr. Jurrist perpetrated the same fraud on an Ohio resident name [redacted] in violation of 6 Del. C. § 7316(a)(7). Additional violations were alleged to have been committed by Barrett Day.

The respondents requested a hearing, which was scheduled, after a continuance, for November 4, 1993. On November 3, 1993, the State reached an agreement in principle with Barrett Day, which I approved, and therefore Barrett Day did not participate in the November 4 hearing. On January 24, 1994, the settlement agreement between Barrett Day and the Securities Division was put in the form of a Consent Order and was

executed by the parties. Therefore, this decision is exclusively concerned with Mr. Jurrist.

At the hearing, the State presented four witnesses: April Collins, an investigator for the Securities Division, [REDACTED], an Ohio resident who purchased Quicksilver warrants from Mr. Jurrist, [REDACTED], a Delaware resident who purchased Quicksilver warrants from Mr. Jurrist, and Leon Minka, a securities analyst for the Securities Division. [REDACTED] and [REDACTED] presented similar testimony that each was misled by Mr. Jurrist as to the expiration date of the warrants.

Mr. Jurrist's defense was that he did inform both Mr. [REDACTED] and Mr. [REDACTED] that the Quicksilver warrants would expire on July 31, 1991. Although Mr. Jurrist advised the investors that an extension of the expiration date was likely to occur, he relied upon what his superiors at Barrett Day told him in this regard. Mr. Jurrist's fellow sales agent at Barrett Day, Emanuel ("Manny") Feit, testified that there had been a prior extension of these warrants. Mr. Jurrist introduced into the record a copy of a letter from an official at the National Association of Securities Dealers ("NASD") which advised that no action would be taken on [REDACTED]'s complaint.

II. Findings of Fact

I find as follows:

1. Jeffrey Jurrist was employed by Barrett Day Securities, Inc., as a sales agent during the relevant time period. He was also registered in that capacity with the Delaware Securities Division during the relevant time period.

2. On or about April 25, 1991, Mr. Jurrist solicited _____, an Ohio resident, over the telephone, to purchase warrants in Quicksilver Enterprises, Inc., a manufacturer of ultralight aircraft. Mr. _____ had been a client of Mr. Jurrist when he had previously worked as a sales agent for South Richmond Securities, Inc. Mr. _____ had previously purchased securities from Mr. Jurrist. At the time of sale, Jurrist told _____ that the warrants were "in the money" and that they had a "very long expiration date."¹ According to Mr. Jurrist, the expiration date was "several years away" and the warrants were "a good buy." Mr. _____ bought 5000 warrants for a total purchase price of \$1762.
3. The confirmation slip that Mr. _____ received from Barrett Day and the clearing broker, Otra Clearing Inc., showed the expiration date of the warrants as "12/31/1999."
4. In or about early June 1991, Mr. _____ received a letter directly from Quicksilver stating that the warrants "are set to expire on July 31, 1991." In response to the letter, _____ called Jurrist and advised him of the contents of the letter. Jurrist told _____ that the letter was incorrect and not to worry about it. This conversation was followed by several others in _____ which Jurrist each time told _____ not to be concerned, that the letter was incorrect.

¹The term "in the money" for a warrant means in this context that the share price of the underlying stock is above the exercise price of the warrant.

5. Toward the end of July, Mr. _____ called Barrett Day and spoke to an associate of Mr. Jurrist, and the associate stated that the warrants would expire on July 31, 1991. Mr. _____ then repeatedly called Barrett Day, seeking to speak with Jurrist. When _____ finally did reach Jurrist on the telephone, Jurrist said that "they were negotiating an extension on the warrants."
6. Subsequently, Mr. _____ spoke to Barrett Day's compliance officer, Phil Bredow, and followed his oral complaint with a written letter of complaint. Mr. Bredow and Barrett Day responded by letter advising Mr. _____ that no "misjustice" had been done to him. The letter stated that Mr. Jurrist claimed he had advised _____ of the July expiration date.
7. Mr. _____ then filed a letter of complaint with the NASD at its New York office, which responded that it would take no action. No one from the NASD ever attempted to talk to Mr. _____.
8. On or about June 12, 1991, Mr. Jurrist telephoned _____, in Delaware, to recommend that he purchase Quicksilver warrants. _____ had been a previous client of Jurrist when Jurrist had worked for South Richmond Securities, Inc., and _____ had made prior purchases of stock from Jurrist. On this occasion, Jurrist told _____ that, although the Quicksilver warrants were due to expire on July 31, 1991, they were going to be extended for "at least a year." Jurrist told _____ that the warrants were a "good value" and that Jurrist knew they would be extended

because he had just come out of a meeting with the company. Jurrist said that the extension was a "done deal" and [redacted] was one of the first to know. Mr. [redacted] purchased 30,000 Quicksilver warrants for a total price of \$9,387. He received a confirmation slip that stated the expiration date of the warrants was "12/31/1999."

9. Mr. [redacted] subsequently received an account statement from Barrett Day for the period ending June 28, 1991, reflecting his purchase of the Quicksilver warrants and stating that their expiration date was "12/31/99."
10. Between June and September 1991 [redacted] and Jurrist spoke several more times over the telephone. Each time Jurrist assured [redacted] that his warrants were "doing well." Subsequently, when [redacted] called Jurrist, [redacted] learned that Barrett Day's toll-free telephone number had been disconnected, causing [redacted] to assume the brokerage firm had gone out of business.
11. Mr. [redacted] eventually learned that his warrants had expired on July 31, 1991. In March 1992 Mr. [redacted], obtaining Barrett Day's new number from another brokerage firm, called Mr. Jurrist and taped several telephone conversations. The audio tape, and its transcript which is Exhibit R-1, show that as of March 1992 [redacted] was still not receiving a clear explanation from Jurrist as to the status of the warrants. During this conversation, Jurrist made the following statements:

JJ: Yeah, well, at this point they did expire but they are this is what I'm telling you, they might be reregistering very shortly.

RG: Yeah, but at the time I bought 'em and you told me they were extending.

JJ: Oh yeah, well they did extend them, sure they did extend them.

* * *

RG: So, basically, you're telling me I'm out \$10,000?

JJ: Well, I gotta, I gotta see because possibly you might be able to exercise them, and I have to talk to the president about it.

* * *

JJ: Yeah, umm, I'll call you back, I, I just want you to understand that if you want to exercise your warrants, you know, you could say yeah your warrants are valid right now, but it's 3 cents cheaper to buy the stock as opposed to exercising your warrants.

12. During the relevant period, April through July 1991, there was no agreement by Quicksilver to extend the expiration date of its warrants.

13. The Quicksilver warrants expired out of the money on July 31, 1991.

III. CONCLUSIONS OF LAW

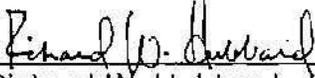
I find that respondent violated 6 Del. C. § 7303(2) and § 7316(a)(2) by willfully making a misrepresentation of a material fact to _____ in the sale of the Quicksilver warrants on or about June 12, 1991. To induce _____ to buy them, Mr. Jurrist falsely stated that the expiration date on the warrants would be extended for at least a year. _____ did rely on the misrepresentation and purchased the warrants to his financial detriment.

I do not find the respondent violated 6 Del. C. § 7316(a)(7) with respect to Mr. _____, an Ohio resident, because the sale occurred prior to the amendment of this section to include dishonest and unethical practices of registrants outside the State.

IV. SANCTION

I think it is generally in the public interest to revoke the license of a sales agent who engages in the practice of making willful misrepresentations to sell securities. Revocation is especially in the public interest where those misrepresentations pertain to speculative securities the purchase of which results in a substantial financial loss to an investor who has relied on the broker's deceitful recommendation. Although Mr. Jurrist committed only one violation, he engaged in a pattern of cynical misrepresentations. Not only did he lie by telling _____ that the warrants would be extended for at least a year, Jurrist made up a story about a meeting with Quicksilver officers to enhance the certainty in _____ mind that the extension was a "done deal." In fact, there was no agreement, and the relationship between Quicksilver and Barrett Day around that time period was acrimonious. (See July 10, 1991 letter from David Berger to Robert Forrester, Esquire, contained in Exhibit S-24). Even after the sale and after _____ warrants expired, Jurrist continued to lie to _____ about the warrants, telling him they were "doing well." Eight months later, in March 1992, Jurrist was still telling _____ "you could say yeah your warrants are valid right now."

It is in the public interest that the Delaware broker-dealer agent license of Jeffrey Jurrist be permanently revoked and that he be fined \$1000. So ordered.


Richard W. Hubbard
Securities Commissioner

Date: February 7, 1994