

[15 U.S.C. § 80b-6]. The Commission brings this Complaint to seek a permanent injunction against Slovak, as well as civil money penalties.

JURISDICTION AND VENUE

4. The Court has jurisdiction over this civil action pursuant to Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78(u)(e), and 78aa] and Section 214 of the Advisers Act [15 U.S.C. § 80b-14]. The Defendant made use of the means or instruments of interstate commerce, of the mails, or of the facilities of a national securities exchange in connection with the acts, transactions, practices, and courses of business alleged in this Complaint.

5. Venue lies in the Northern District of Texas pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Venue is proper because transactions, acts, practices, and courses of business constituting the violations described below occurred in the Northern District of Texas.

THE PARTIES

6. The plaintiff is the Commission, which brings this civil action pursuant to the authority conferred on it by Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d), and 78u(e)] and Sections 209(d) and 209(e) of the Advisers Act [15 U.S.C. §§ 80b-9(d) and 80b-9(e)].

7. Defendant Slovak, age 50, is a resident of Ennis, Texas. From 1999 through 2008, Slovak obtained certain securities-brokerage licenses from Finra and its predecessor entity, the NASD, enabling her to serve as a registered representative in various capacities at a Commission-registered brokerage firm.

FACTS

Background

8. From 2001 to October 2005, Slovak was a registered representative associated with Williams Financial Group, Inc. (“WFG”), a Commission-registered brokerage firm and investment adviser headquartered in Dallas, Texas. Slovak served in a WFG branch office in Corsicana, Texas. In October 2005, that branch office discontinued its association with WFG and became associated with Commonwealth Equity Services, LLP d/b/a Commonwealth Financial Network (“Commonwealth”), another Commission-registered brokerage firm and investment adviser. From October 2005 to January 6, 2008, Slovak was a registered representative associated with Commonwealth.

9. Despite the transition from WFG to Commonwealth, Slovak continued to work in the same office and to provide services to many of the same customers. The only other registered representative in the Corsicana branch office was Slovak’s branch manager. In most instances, Slovak and her branch manager worked as a team in servicing customer accounts.

Slovak’s Misappropriation from Customer A’s Brokerage and Bank Accounts

10. From early in her career at WFG’s Corsicana office, Slovak served as a registered representative on the brokerage account of a certain elderly widower (“Customer A”). Customer A was a frequent visitor to the Corsicana branch and befriended Slovak. In 2005, after his last living heir died, Customer A started relying on Slovak to assist him in various daily tasks, such as buying groceries and paying bills.

11. In 2005, at Slovak’s suggestion, Customer A and Slovak opened a joint bank account (the “Joint Bank Account”) at a local bank. Because Slovak was a joint accountholder, she was able to withdraw and transfer funds at will from the Joint Bank Account. About the time

the Joint Bank Account was opened, Customer A signed a power of attorney, giving Slovak broad authority over his financial and personal affairs, including the power to act as his agent on securities, banking, and other financial-institution transactions. The power of attorney, however, did not authorize Slovak to use Customer A's funds for her own benefit.

12. Although Slovak obtained power of attorney authority from Customer A for the purported purpose of helping him with his finances, her true purpose was to misappropriate his funds for her own use. When she took control of Customer A's finances, she was in financial distress. For example, in February and March 2005, in one bank account she used to pay her day-to-day expenses, she was charged overdraft fees 15 times, totaling more than \$500. And she owed balances on dozens of credit cards and retailer charge cards.

13. Almost immediately after opening the Joint Bank Account with Customer A, using her access to Customer A's brokerage account as a registered representative, Slovak started selling securities in the brokerage account, transferring large amounts of the cash proceeds from these sales to the Joint Bank Account, and then transferring the cash to her personal bank accounts. She also began paying her personal expenses directly from the Joint Bank Account.

14. Because Customer A's brokerage account and the Joint Bank Account were linked in Commonwealth's computer system, Slovak could electronically transfer funds between the accounts without providing any written customer authorization to Commonwealth. From 2005 through 2009, Slovak used this method to transfer at least \$330,000 from Customer A's brokerage account to her own accounts or to pay her bills. She also used additional funds from the Joint Bank Account to directly pay personal bills. Practically all of Slovak's withdrawals from the Joint Bank Account, other than some small items, were for her benefit, not Customer A's benefit.

15. At the time Slovak started making the transfers, Customer A had not authorized Slovak to take the funds for her own personal use. Subsequently, however, she told Customer A that she was spending an unspecified amount of his money for her own expenses. Without knowing the amount already taken, Customer A told her to “take what she needed.” Slovak subsequently told Customer A she had spent approximately \$250,000 of his money. Although Customer A was unaware that Slovak had spent so much of his money, and had not authorized her to do so, he has insisted that he does not want the money back.

Slovak’s Misappropriation from Other Customer Accounts

16. As of July 1, 2008, Customer A’s brokerage account held securities valued at approximately \$50,000, but had a negative cash balance of approximately \$33,000. The Joint Bank Account had a balance of \$21.50. To increase the balances in the accounts, and to provide more funds for her own use, Slovak decided to misappropriate funds from two other customers (“Customer B” and “Customer C”). She selected the accounts of these two customers because she had previously obtained blank, signed authorization forms from them, which would allow her unfettered access to their accounts.

17. On July 1, 2008, using her access to Customer B’s account as a Commonwealth representative, Slovak sold money-market securities in Customer B’s account, without Customer B’s authorization. The sale yielded cash proceeds of \$96,000, which remained in Customer B’s account after the sale. Slovak then drew a check from Customer B’s account for \$96,000, payable to Customer A.

18. To have the check issued, Slovak provided Commonwealth with a check-authorization form, signed by Customer B. Customer B had signed the check-authorization form months earlier when she was considering moving some funds to a new investment. Customer B

ultimately decided not to make that earlier investment, but Slovak nevertheless kept the signed form. Slovak used the signed form without Customer B's authorization.

19. Once Commonwealth issued the \$96,000 check, Slovak deposited it in the Joint Bank Account. By August 4, 2008, Slovak had transferred approximately \$51,000 of Customer B's funds from the Joint Bank Account to Slovak's personal bank accounts or to pay Slovak's bills.

20. Commonwealth's clearing broker sent Customer B a confirmation letter, informing her that the \$96,000 had been withdrawn from her account. Upon receiving the letter, Customer B did not recognize the transaction. Customer B contacted Slovak to inquire about the withdrawal. Slovak told Customer B, falsely, that the withdrawal was in connection with a new investment that was being made on Customer B's behalf.

21. Also in early July, Slovak misappropriated funds from Customer C, a Commonwealth investment-adviser client. On July 2, 2008, using her access to Customer C's account as a Commonwealth representative, Slovak sold money-market securities valued at \$65,000 in Customer C's IRA account, without Customer C's authorization. After Commonwealth withheld 25% to pay federal taxes, the transaction yielded \$48,750 in cash in Customer C's account. Slovak used those proceeds to purchase money-market securities valued at \$48,750 in a non-IRA account that Customer C held at Commonwealth. On July 7, 2008, Slovak sold the money-market securities from Customer C's non-IRA account for \$48,000 in cash, which she then transferred to Customer A's account using a falsified authorization form. On July 9, 2008, Slovak transferred \$10,000 from Customer A's account to the Joint Bank Account.

Slovak Pays Back Customers B and C, But Misleads Firm and Customer B

22. In August 2008, Slovak acknowledged her misconduct concerning Customers B and C to her branch manager. The branch manager insisted that Slovak make the two customers whole, by transferring funds to the firm and repurchasing securities in the customers' accounts. However, in order to obtain authorization for the purchases of securities, Slovak made material misstatements and/or omissions to Commonwealth compliance staff and to Customer B. In particular, she suggested that she had withdrawn the funds by mistake, rather than as a result of deliberate misconduct.

FIRST CLAIM

(Violations of Exchange Act Section 10(b) and Exchange Act Rule 10b-5)

23. The Commission realleges paragraphs 1 through 22.

24. Defendant Slovak, directly or indirectly, singly or in concert with others, in connection with the purchase and sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails, has (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material facts and have omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in acts, practices, and courses of business which operate as a fraud and deceit upon purchasers, prospective purchasers, and other persons.

25. By reason of the foregoing, Defendant Slovak has violated, and unless enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

SECOND CLAIM

(Violations of Advisers Act Section 206)

26. The Commission realleges paragraphs 1 through 22.

27. Defendant Slovak, directly or indirectly, singly or in concert with others, while functioning as an investment adviser, by use of the mails or means or instrumentality of interstate commerce, has (a) employed devices, schemes, and artifices to defraud a client; (b) engaged in transactions, practices or courses of business which operate as a fraud or deceit upon a client; and (c) engaged in acts, practices, and courses of business which are fraudulent, deceptive, and manipulative.

28. By reason of the foregoing, Defendant Slovak has violated, and unless enjoined will continue to violate, Section 206 of the Advisers Act [15 U.S.C. § 80b-6].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court enter a judgment:

I.

Permanently enjoining Defendant Slovak from future violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5], and of Section 206 of the Advisers Act [15 U.S.C. § 80b-6];

II.

Imposing civil penalties against Defendant Slovak pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] and Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)] for violations of the federal securities laws as alleged herein;

III.

Such other and further relief as the Commission may show itself entitled.

Dated: April 23, 2010

Respectfully submitted,

s/Timothy S. McCole
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CIVIL COVER SHEET

The JS-44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

I.(a) PLAINTIFFS

Defendants-
Susan G. Slovak Defendant

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

(b) COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF _____
(EXCEPT IN U.S. PLAINTIFF CASES)

County of Residence of First Listed Defendant: Ellis County
(IN U.S. PLAINTIFF CASES ONLY)
NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

(c) ATTORNEY (FIRM NAME, ADDRESS, AND TELEPHONE NUMBER)

Timothy S. McCole
U.S. Securities & Exchange Commission
801 Cherry Street, Suite 1900
Fort Worth, TX 76102; (817) 978-6453

ATTORNEYS (IF KNOWN)
Michael P. Gibson, Esq.
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Attorney for Defendant Susan G. Slovak

II. BASIS OF JURISDICTION (PLACE AN "X" IN ONE BOX ONLY)

- 1 U.S. Government Plaintiff
 2 U.S. Government Defendant
 3 Federal Question (U.S. Government Not a Party)
 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (For Diversity Cases Only)

- | | | | | | |
|---|----------------------------|----------------------------|---|----------------------------|----------------------------|
| | PTF | PTF | | PTF | PTF |
| Citizen of This State | <input type="checkbox"/> 1 | <input type="checkbox"/> 1 | Incorporated or Principal Place of Business In This State | <input type="checkbox"/> 4 | <input type="checkbox"/> 4 |
| Citizen of Another State | <input type="checkbox"/> 2 | <input type="checkbox"/> 2 | Incorporated and Principal Place of Business in Another State | <input type="checkbox"/> 5 | <input type="checkbox"/> 5 |
| Citizen or Subject of a Foreign Country | <input type="checkbox"/> 3 | <input type="checkbox"/> 3 | Foreign Nation | <input type="checkbox"/> 6 | <input type="checkbox"/> 6 |

IV. NATURE OF SUIT (PLACE AN "X" IN ONE BOX ONLY)

CONTRACT	TORTS	FORFEITURE/PENALTY	BANKRUPTCY	OTHER STATUTES
<input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excl. Veterans) <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input type="checkbox"/> 160 Stockholders' Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability <input type="checkbox"/> 196 Franchise	PERSONAL INJURY <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury PERSONAL INJURY <input type="checkbox"/> 362 Personal Injury - Med. Malpractice <input type="checkbox"/> 365 Personal Injury - Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability PERSONAL PROPERTY <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability	<input type="checkbox"/> 610 Agriculture <input type="checkbox"/> 620 Other Food & Drug <input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 630 Liquor Laws <input type="checkbox"/> 640 R.R. & Truck <input type="checkbox"/> 650 Airline Regs. <input type="checkbox"/> 660 Occupational Safety/Health <input type="checkbox"/> 690 Other	<input type="checkbox"/> 422 Appeal 28 USC 156 <input type="checkbox"/> 423 Withdrawal 28 USC 157 PROPERTY RIGHTS <input type="checkbox"/> 820 Copy rights <input type="checkbox"/> 830 Patient <input type="checkbox"/> 840 Trademark SOCIAL SECURITY <input type="checkbox"/> 861 HIA (1395FF) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g)) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g))	<input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 480 Consumer Credit <input type="checkbox"/> 810 Selective Service <input checked="" type="checkbox"/> 850 Securities Commodities/ Exchange <input type="checkbox"/> 875 Customer Challenge 12 USC 3410 <input type="checkbox"/> 890 Other Statutory Actions <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 892 Economic Stabilization Act <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 894 Energy Allocation Act <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice <input type="checkbox"/> 950 Constitutionality of State Statutes
REAL PROPERTY <input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property	CIVIL RIGHTS <input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing/ Accommodations <input type="checkbox"/> 444 Welfare <input type="checkbox"/> 440 Other Civil Rights	PRISONER PETITIONS <input type="checkbox"/> 510 Motions to Vacate Sentence Habeas Corpus: <input type="checkbox"/> 530 General <input type="checkbox"/> 535 Death Penalty <input type="checkbox"/> 540 Mandamus & Other <input type="checkbox"/> 550 Civil Rights	LABOR <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Mgmt. Relations <input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Empl. Ret. Inc. Security Act FEDERAL TAX SUITS <input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS - Third Party 26 USC 7609	

V. ORIGIN (PLACE AN "X" IN ONE BOX ONLY)

- 1 Original Proceeding
 2 Removed from State Court
 3 Remanded from Appellate Court
 4 Reinstated or Reopened
 5 Transferred from another district (Specify)
 6 Multidistrict Litigation
 7 Appeal to District Judge from Magistrate Judge

VI. CAUSE OF ACTION CITE THE U.S. CIVIL STATUTE UNDER WHICH YOU ARE FILING (DO NOT CITE JURISDICTIONAL STATUTES UNLESS DIVERSITY):

Brief Description of cause:

Violations of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder and Section 206 of the Investment Advisers Act of 1940 ("Advisers Act") [15 U.S.C. § 80b-6]

VII. REQUESTED IN COMPLAINT: CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23 **DEMAND \$** _____ **CHECK YES only if demanded in complaint:**
JURY DEMAND YES NO

VIII. RELATED CASE(S) (See Instructions):

IF ANY _____ JUDGE _____ DOCKET NUMBER _____

DATE **April 23, 2010** SIGNATURE OF ATTORNEY OF RECORD
s/ Timothy S. McCole

FOR OFFICE USE ONLY
 Receipt # _____ AMOUNT _____ APPLYING IFP _____ JUDGE _____ MAG. JUDGE _____