

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING
5 Whether there has been a violation
6 of the Securities Act of the State
7 of Washington by:

8 Cardinal Capital Management, Inc.; Cardinal
9 Capital.Net, Inc.; Alexi Bethel ,

10 Respondents.

Order Number S-05-081-06-FO01

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL
ORDER TO CEASE AND DESIST AND
NOTICE OF INTENT TO DENY FUTURE
APPLICATION AND IMPOSE FINES AS TO
ALEXI BETHEL

11 THE STATE OF WASHINGTON TO: Alexi Bethel

12 On June 7, 2006, the Securities Administrator of the State of Washington issued S-05-081-06-SC01
13 hereinafter referred to as Statement of Charges against Cardinal Capital Management, Inc., Cardinal
14 Capital.Net, Inc. and Alexi Bethel.

15 The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for
16 Hearing, hereinafter referred to as "Notice of Opportunity for Hearing" and an Application for Adjudicative
17 Hearing, hereinafter referred to as "Application for Hearing", were served on Alexi Bethel on June 12, 2006.
18 The Notice of Opportunity for Hearing advised Alexi Bethel that a written application for an administrative
19 hearing on the Statement of Charges must be received within twenty days from the date of receipt of the
20 notice. Alexi Bethel failed to request an administrative hearing within twenty days of receipt of the
21 Statement of Charges and Notice of Opportunity for Hearing, either on the Application for Hearing provided
22 or otherwise.

23 ENTRY OF FINDINGS OF FACT AND CONCLUSIONS
24 OF LAW AND FINAL ORDER TO CEASE AND DESIST
25 AND NOTICE OF INTENT TO DENY FUTURE
APPLICATION AND IMPOSE FINES AS TO ALEXI
BETHEL

1 The Securities Administrator therefore will adopt as final the findings of fact and conclusions of law
2 as set forth in the Statement of Charges.

3 The Securities Administrator makes the following findings of fact and conclusions of law:

4 **FINDINGS OF FACT**

5 **I. RESPONDENTS**

6 1. Cardinal Capital Management, Inc. (“Cardinal Capital Management”) is a broker-dealer and
7 investment adviser with its principal place of business at 601 Brickell Key Drive, Suite 102, Miami,
8 Florida. Cardinal Capital Management was registered as a broker-dealer with the Washington State
9 Securities Division from February of 1999 to December of 2004. Cardinal Capital Management has
10 never been registered with the Washington State Securities Division as an investment adviser. When a
11 member of the NASD Cardinal Capital’s license number was: CRD #24605.

12 2. Cardinal Capital. Net, Inc. (“Cardinal Capital.Net”) is a Florida corporation with its
13 principal place of business at 601 Brickell Key Drive, Suite 102, Miami, Florida. Cardinal Capital.Net
14 became the parent company of Cardinal Capital Management in May of 2000.

15 3. Alexi Bethel (“Bethel”) is an individual residing in Coral Gables, Florida. Bethel was
16 registered as a securities salesperson with the Washington State Securities Division from August of 2001
17 to March of 2005. Bethel is currently employed by Pointe Capital, LLC as a securities salesperson. Prior
18 to that, Bethel was employed as a securities salesperson for fourteen different broker-dealers in
19 approximately five years, including, R.K. Grace & Company from May of 2000 to February of 2001,
20 Cardinal Capital Management, Inc. from January of 2001 to February of 2001, Prime Charter Ltd. from
21 February of 2001 to April of 2001, Emerson Bennett & Associates from May of 2001 to August of 2001,

1 Salomon Grey Financial Corporation from September of 2001 to March of 2002, LH Ross & Company,
2 Inc. from February of 2002 to May of 2002, Platinum Investment Corp. from May of 2002 to July of
3 2002, Cardinal Capital Management, Inc. from August of 2002 to February of 2003, Lloyd, Scott &
4 Valenti, Ltd. from February of 2003 to May of 2004, North American Clearing Inc. from May of 2004 to
5 October of 2004, Westpark Capital Inc. from October of 2004 to March of 2005, VFinance Investments,
6 Inc. from May of 2005 to June of 2005, Itradedirect.com Corp. from May of 2005 to June of 2005 and
7 Salomon Grey Financial Corporation from July of 2005 to February of 2006. Bethel's securities
8 salesperson license number with the NASD is: CRD # 4188275.

9 **II. NATURE OF THE CONDUCT**

10 4. Investor is a retired seventy-six year old Washington resident. Her account was worth
11 approximately \$30,000 in April of 2004. Investor held shares of Boeing, Del Monte Foods Company,
12 General Electric Company, HJ Heinz Company, and Microsoft and had a cash balance of approximately
13 \$3,000. Investor had limited investment experience and her investment goals were income and capital
14 preservation.

15 5. In or around July of 2004 Investor received a telephone call from Bethel. Investor's
16 account, through various mergers, had ended up being held at North American. Bethel, a registered
17 representative for North American, had been assigned her account. Investor had never spoken to Bethel
18 before the telephone call. Bethel told Investor that she should sell all her stock and buy Blockbuster stock
19 because it was going to pay a large dividend. Investor was not comfortable with this recommendation but
20 believed Bethel knew more than she did. Investor reluctantly agreed to allow Bethel to sell all her stock

1 and purchase Blockbuster. Bethel did not ask Investor any questions about her investment goals or
2 financial status before recommending the purchase of Blockbuster stock.

3 6. On August 27, 2004, Bethel effected the sale of all of Investor's stock and purchased shares
4 of Blockbuster stock for approximately \$23,909.

5 7. In or around September of 2004 Bethel called Investor and recommended that she sell the
6 Blockbuster stock and purchase a mutual fund called Eaton Vance Utilities Fund Class A ("Eaton
7 Vance"). Investor again trusted Bethel's advice and reluctantly agreed to let Bethel sell the Blockbuster
8 stock to purchase Eaton Vance. Bethel failed to provide Investor any specifics on Eaton Vance.

9 8. On September 27, 2004, Bethel effected the sale of the shares of Blockbuster at a loss and
10 effected the purchase of shares in the Eaton Vance for approximately \$28, 433.

11 9. In or around November of 2004 Bethel contacted Investor and told her that a document was
12 coming to her via FedEx that she needed to sign and send back to him. The document Investor received
13 was an agreement for Cardinal Capital.Net stock. According to the agreement, Investor was purchasing
14 Cardinal Capital.Net shares "facilitated through the agency facilities of" Cardinal Capital Management.
15 The agreement was blank but Investor, trusting Bethel, signed the agreement as requested and sent the
16 form back to Bethel.

17 10. On December 12, 2004, Bethel effected the sale of all the shares of Eaton Vance and on
18 December 29, 2004 effected the purchase of 28,300 shares of Cardinal Capital.Net stock for \$28,300.
19 Investor had never invested in a private placement before and was never sent any information about
20 Cardinal Capital.Net or its parent company, Cardinal Capital Management.

1 11. Investor received her next statement and was shocked to see that her statement showed her
2 account had no value. Investor called Bethel a few times and he did not return her calls. Investor called
3 Cardinal Capital Management and was told that the Cardinal Capital. Net stock was not publicly traded
4 and was illiquid. Bethel had never told Investor that the investment was illiquid.

5 12. On July 22, 2005 Cardinal Capital Management entered into a Letter of Acceptance and
6 Waiver of Consent (“AWC”) with the NASD for violation of NASD Conduct Rule 2110, Standards of
7 Commercial Honor and Principles of Trade; 3010(A), Supervision; 2210(D) (1), Communications with
8 the Public; 3110, Books and Records; 2310, Recommendations to Customers; 2330(A) Customers’
9 Securities or Funds; and NASD Procedural Rule 8210. As part of the AWC, Cardinal Capital was
10 expelled from NASD membership.

11 III. MISREPRESENTATIONS AND OMISSIONS

12 13. Respondent Alexi Bethel failed to disclose material information about the Cardinal
13 Capital.Net, Inc. stock including, but not limited to, the risks associated with the investment, information
14 on the companies involved, financial information for the companies involved and that the investment was
15 illiquid.

16 IV. REGISTRATION STATUS

17 14. Cardinal Capital Management, Inc. is not currently registered as a broker-dealer in the state
18 of Washington. Cardinal Capital Management, Inc. was registered at the time of the offers described
19 above as a broker-dealer in the state of Washington.

20 15. Cardinal Capital.Net, Inc. is not currently registered to sell securities in the state of
21 Washington and has not previously been so registered.

1 Based upon the above Findings of Fact, the following Conclusions of Law are made:

2 **CONCLUSIONS OF LAW**

3 1. The offer and/or sale of stock, as described above, constitutes the offer and/or sale of a
4 security as defined in RCW 21.20.005 (10) and (12).

5 2. The offer or sale of Cardinal Capital.Net, Inc. stock by Alexi Bethel, as an agent of
6 Cardinal Capital Management, is in violation of RCW 21.20.140 because no registration or notification
7 of claim of exemption for such offer or sale is on file with the Securities Administrator of the State of
8 Washington.

9 3. Alexi Bethel, as described above, has violated RCW 21.20.035, by knowingly effecting
10 transactions in the account of Investor that were excessive in size and frequency in view of the financial
11 resources and character of the account, and that were effected by reason of Investor's trust and confidence in
12 Alexi Bethel. Such practice is grounds for denial of his future broker-dealer, securities salesperson,
13 investment adviser and/or investment adviser representative application pursuant to RCW 21.20.110(1)
14 (b) and for imposition of fines pursuant to RCW 21.20.110(1).

15 4. Alexi Bethel, as described above, has violated RCW 21.20.702 by recommending the purchase
16 and sale of securities to Investor without reasonable grounds to believe that the transactions were suitable.
17 Such practice is grounds for denial of his future broker-dealer, securities salesperson, investment adviser
18 and/or investment adviser representative application pursuant to RCW 21.20.110(1) (b) and for imposition
19 of fines pursuant to RCW 21.20.110(1).

20 5. Alexi Bethel, as described above, engaged in one or more dishonest and unethical practices
21 in the securities business, as defined by WAC 460-22B-090(7), by recommending to a customer the

1 purchase, sale or exchange of any security without reasonable grounds to believe that such transaction or
2 recommendation is suitable for the customer. Such practice is grounds for denial of his future broker-
3 dealer, securities salesperson, investment adviser and/or investment adviser representative application
4 pursuant to RCW 21.20.110(1) (g).

5 6. The offer or sale of Cardinal Capital.Net, Inc. stock was made in violation of RCW
6 21.20.010 because, as set forth in the Findings of Fact, Respondent Alexi Bethel, either made untrue
7 statements of materials facts or omitted to state material facts necessary in order to make the statements
8 made, in light of the circumstances under which they were made, not misleading. Such practice is
9 grounds for denial of Alexi Bethel's future broker-dealer, securities salesperson, investment adviser
10 and/or investment adviser representative application pursuant to RCW 21.20.110(1) (b) and for
11 imposition of fines pursuant to RCW 21.20.110(1).

12 **FINAL ORDER**

13 It is hereby ORDERED that Alexi Bethel cease and desist from offering and/or selling securities in
14 any manner in violation of RCW 21.20.140, the section of the Securities Act of Washington requiring
15 registration.

16 It is further ORDERED that Alexi Bethel cease and desist from violation of RCW 21.20.010, the
17 anti-fraud section of the Securities Act.

18 It is further ORDERED that Alexi Bethel cease and desist from violation of RCW 21.20.035, the
19 unlawful purchases or sales for customer's account section of the Securities Act.

20 It is further ORDERED that Alexi Bethel cease and desist from violation of RCW 21.20.702, the
21 suitability of recommendations section of the Securities Act.

22 ENTRY OF FINDINGS OF FACT AND CONCLUSIONS
23 OF LAW AND FINAL ORDER TO CEASE AND DESIST
24 AND NOTICE OF INTENT TO DENY FUTURE
25 APPLICATION AND IMPOSE FINES AS TO ALEXI
BETHEL

1 It is further ORDERED that any future application by Alexi Bethel for registration as a broker-
2 dealer, securities salesperson, investment adviser and/or investment adviser be denied.

3 It is further ORDERED that Alexi Bethel shall be subject to a fine in the amount of \$5,000.

4 **AUTHORITY AND PROCEDURE**

5 This Final Order is entered pursuant to the provisions of RCW 21.20.110, 21.20.390 and
6 21.20.395 and is subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. Respondent has
7 the right to petition the superior court for judicial review of this agency action under the provisions of
8 chapter 34.05 RCW. For the requirements for filing a Petition for Judicial Review, see RCW 34.050.510
9 and sections following. Pursuant to 21.20.395, a certified copy of this order may be filed in Superior
10 Court. If so filed, the clerk shall treat the order in the same manner as a Superior Court judgment as to
11 the fine and the fine may be recorded, enforced, or satisfied in like manner.

12 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

13
14 DATED this 7th day of July, 2006.



15 _____
16 MICHAEL E. STEVENSON
17 Securities Administrator

18 Presented by:



19 _____
20 Kate Reynolds
21 Financial Legal Examiner

22 Approved by:



23 _____
24 Suzanne Sarason, Chief of Compliance & Examinations