FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

Department of Enforcement, Complainant, v. Timothy Stephen Dembski, (CRD No. 2575882) and Walter Francis Grenda, Jr. (CRD No. 722911), Respondents.	Disciplinary Proceeding No. 2013036168701 Hearing Officer: CC **ORDER ACCEPTING OFFER OF SETTLEMENT** Date: February 11, 2016

INTRODUCTION

Disciplinary Proceeding No. 2013036168701 was filed on December 10, 2014 by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Walter Francis Grenda, Jr. (Respondent) submitted an Offer of Settlement (Offer) to Complainant dated February 9, 2016. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanction set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint (as amended by the Offer of Settlement), and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of findings and violations consistent with the allegations of the Complaint (as amended by the Offer of Settlement), and to the imposition of the sanction set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

1. Respondent first became registered with FINRA as a General Securities Representative ("GS") on January 17, 1981. On November 19, 1989, he also became a General Securities Principal ("GP"). He was registered in those two capacities through Wall Street Financial Group ("WSFG") from October 11, 2006 through March 10, 2011. At WFSG he worked in Cheektowaga, NY. On September 2, 2011, Respondent became registered with FINRA through Mid Atlantic Capital Corporation (BD No. 10674) ("MACC") as a GS and GP. On July 25, 2013, MACC filed a Form U5 which stated that Respondent's termination on July 24, 2013 was voluntary. During his employment with MACC, Respondent worked in Cheektowaga, New York.

2. In or around November 2010, Respondent and Timothy Stephen Dembski ("Dembski") formed Reliance Financial Advisors, LLC (IARD No. 155826) ("Reliance"), an SEC-Registered Investment Advisor ("RIA"). Respondent was listed as Reliance's Chief Compliance Officer and President.

3. Although Respondent is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to

Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years after the effective date of termination of Respondent's registration with MACC, namely, July 25, 2013; and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows. The findings herein are pursuant to Respondent Walter Francis Grenda, Jr.'s Offer of Settlement and are not binding on any other person or entity named as a respondent in this or any other proceeding:

SUMMARY

4. Between March 1, 2011 and March 1, 2012, Respondent induced retail customers to invest in the Prestige Wealth Management Fund, LP ("Prestige" or the "Fund"). Respondent was registered with FINRA through an association with member firm MACC from September 2, 2011 through July 25, 2013.

5. Through misrepresentations and omissions, Respondent led investors to believe that Prestige was a "growth" fund that would be based on a computer algorithm that included risk protections and stop-losses to limit losses in the Fund. In fact, the Fund was a speculative investment. SMS, the Fund's Chief Investment Officer, had complete control over the investments that the Fund made and, contrary to what Respondent told prospective investors, the Fund was not obligated to follow the computer algorithm. In December 2012, the last full month that the Fund traded, it lost over 80% of its value.

6. In connection with his marketing of the Fund, Respondent gave prospective investors the Prestige Wealth Management Fund, LP Confidential Private Placement Memorandum ("PPM") that he knew contained material misrepresentations about SMS's

professional experience. The PPM stated that SMS had "co-managed a portfolio of over $500 million" and was responsible for "portfolio management and analysis" as "Vice President of Investments for a New York based investment company," all of which was materially misleading. SMS had never managed any portfolio of securities, and was never a Vice President of an investment company.

7. Between in or around September 2009 and in or around March 2010, Respondent borrowed money from two customers while he was registered with FINRA through an association with WSFG without seeking that firm's prior approval for the loans.

8. At an on-the-record interview, Respondent was asked by FINRA whether he had ever borrowed money from a customer. He lied and said that he had not. After he was shown documents related to one loan from customer AW, Respondent admitted that he borrowed money from AW, but falsely stated that the loan was repaid within days, when in fact the loan was not repaid for approximately six months. In addition, when shown documents about a $200,000 loan provided by a trust that was an investor in the Fund, Respondent said that he had never borrowed money from the trust, and had never spoken to the trustee of that trust about a loan. In fact, Respondent had borrowed $200,000 from the trust, and that loan is still outstanding.

BACKGROUND

9. In or around 2009 or 2010, Respondent, Dembski and SMS began discussing the idea of creating a hedge fund.

10. In or around 2010, Dembski and SMS consulted with a company to help them establish the Fund; sought counsel from attorneys; and hired a Fund Administrator and auditors.

11. Interactive Brokers, LLC (BD No. 36418) ("Interactive Brokers") was the Fund's custodian.

12. Respondent told customers that the Fund was supposed to be run based on a trading algorithm developed by SMS and AC, a "financial engineer."

13. The purported idea behind the Fund was to:

a. Purchase certain large cap, high volume volatile stocks early in the trading day, and

b. Sell (a) when the individual stock prices increased by 3% or decreased by 1%, or (b) at 3:30 p.m., if neither of the strike prices had been hit.

14. According to Respondent, SMS back-tested the formula and showed high returns.

15. The actual results of the Fund did not achieve anywhere near the returns that the back-testing purportedly demonstrated.

16. Respondent recommended the Fund to retail investors with limited investment experience, who had never invested in hedge funds before, and who used retirement assets or surrendered variable annuities in order to invest in the Fund. Many of these individuals were unaccredited investors. Respondent recommended that his customers withdraw their investments from the Fund in October 2012.

17. In or about December 2012, the Fund suffered dramatic losses: the Fund lost approximately 80% of its value that month.

18. The end of the month values of the Fund, after Grenda's customers were removed from the Fund, from October through December 2012 were as follows:

Date	Stated Fund Value
October 31, 2012	$3,248,366.86
November 30, 2012	$3,480,916.26
December 31, 2012	$644,150.68

FIRST CAUSE OF ACTION
FRAUDULENT MISREPRESENTATIONS AND OMISSIONS
(VIOLATION OF SECTION 10(b) OF THE SECURITIES EXCHANGE ACT OF 1934, RULE 10b-5 PROMULGATED THEREUNDER, AND FINRA RULES 2020 AND 2010)

19. The Department realleges and incorporates by reference paragraphs 1 through 18 above.

20. Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder are broad anti-fraud provisions. Exchange Act Rule 10b-5 makes it unlawful, among other things, "for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails or of any facility of any national securities exchange," to "make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading" in connection with the purchase or sale of any security.

21. FINRA Rule 2020 states that "[n]o member shall effect any transaction in, or induce the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device or contrivance."

22. Between September 2, 2011 and March 1, 2012, in connection with sales of the Fund, Respondent, directly or indirectly, by the use of the means of instrumentalities of interstate commerce (including by telephone), or of the mails, knowingly or recklessly made untrue statements of material fact or omitted to state a fact necessary in order to make the statements

made, in light of the circumstances under which they were made, not misleading. Respondent also effected transactions in, or induced the purchase or sale of, securities by means of a PPM that was materially misleading.

23. Respondent's material misrepresentations to investors RH, SS, and SA included, but were not limited to, the following:

a. Statements to investors regarding how the Fund actually worked. Respondent told customers that the Fund worked on an "automated system" that was based on a "formula." He explained to customers that the Fund was "100% mechanical" and SMS's role was merely "triggering the formula." Respondent told customers that the Fund's losses were limited to 1% per day, and the Fund's gains would be capped at 3% per day. He said that the Fund would be 100% in cash at the end of the trading day. In fact, SMS had complete control over trading in the Fund and did not follow the formula;

b. Statements to investors regarding how the Fund had been tested. Respondent told customers that the purported back-testing showed that the "formula worked, and worked well." These statements were made without providing customers with any explanation that the back-testing did not take into account fees, trading costs, or the difficulties that SMS might encounter when trying to replicating the formula using actual trades; and

c. Statements to investors regarding the Fund's investment risks. Respondent told customers that the Fund was for investors who were looking for "growth" and that it had safeguards built into it. Respondent told

investors that the Fund was not speculative because it had a 1% stop-loss built into it.

24. In connection with his sales of the Fund to RH, SS, and SA, Respondent's material omissions included but were not limited to, the following:

a. The fact that SMS had complete discretion over the investment strategy of the Fund, and was not obligated to follow the algorithm;

b. The Fund was a speculative, aggressive investment;

c. The back-testing results had not been achieved under actual conditions because, among other things, those numbers did not take into account the Fund's fees and trading costs; and

d. There was no limit on the Fund's potential losses.

25. Respondent sold the Fund through a PPM that he knew contained numerous material misrepresentations and omissions about SMS's background. The PPM stated that:

a. "[SMS] has worked in the financial services industry for over 14 years;"

b. SMS "co-managed a portfolio of over $500 million for First Investors Financial Services;" and

c. SMS "took a position as a Vice President of Investments for a New York based investment company in which he was responsible for portfolio management and analysis."

26. Respondent had worked with SMS and was well-aware of SMS's lack of experience.

27. Respondent knew that SMS was only registered to sell securities for less than three years over the course of his entire career.

28. Respondent knew that SMS had not worked in the financial services industry for over 14 years.

29. Respondent knew that SMS had never managed any portfolio of securities.

30. Respondent knew that SMS was not the Vice President of any company.

31. Respondent knew that SMS was not responsible for managing any portfolios at a New York based investment company.

32. The PPM's statements about the business experience of SMS, the Fund's Chief Investment Officer, who had exclusive authority over the Fund's investment decisions, were material.

33. By reason of the foregoing conduct, Respondent willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and also violated FINRA Rules 2020 and 2010.

SECOND CAUSE OF ACTION
IMPROPER LOANS FROM CUSTOMERS
(VIOLATION OF NASD CONDUCT RULE 2370 AND FINRA RULE 2010)

34. The Department realleges and incorporates by reference paragraphs 1 through 33 above.

Loan from AW

35. In or about September 2009, while he was registered with FINRA through WSFG, Respondent borrowed $100,000 from AW, a customer of his at the Firm, through her daughter.

36. In or about December 2009, while he was registered with FINRA through WSFG, Respondent borrowed an additional $75,000 from AW.

37. At the time that the loans were made, AW was approximately 90-years-old, and her daughter had power of attorney over her accounts.

38. The loans were purportedly secured by an interest in Respondent's property where Reliance is located.

39. AW's family became concerned about the fact that Respondent was not repaying the loan, and consulted an attorney.

40. AW's attorney demanded that Respondent return the money to AW.

41. Respondent repaid the loans from AW by borrowing, on or about March 1, 2010, $175,000 from another WSFG customer, MM, who is his mother-in-law.

42. In 2009, WSFG's procedures stated that the firm did not permit representatives to borrow from, or lend money to, customers.

43. Respondent did not seek or obtain the firm's approval for the loan.

Loan from MM

44. In or around February 2010, Respondent borrowed approximately $175,000 from his customer MM, who is his mother-in-law.

45. MM, a WSFG customer, surrendered a variable annuity in order to loan Respondent the money.

46. MM incurred an $18,303.31 surrender charge in order to loan the money to Respondent.

47. The MM loan is still outstanding.

48. Respondent never asked for approval from WSFG to take the loan, nor did he receive it.

49. By borrowing money from firm customers without approval from his member firm, Respondent violated NASD Conduct Rule 2370 and FINRA Rule 2010.

THIRD CAUSE OF ACTION
PROVIDING FALSE TESTIMONY TO FINRA
(FINRA RULES 8210 AND 2010)

50. The Department realleges and incorporates by reference paragraphs 1 through 49 above.

51. In July 2013, when asked during his on-the-record testimony ("OTR") whether he had ever borrowed money from a customer, Respondent falsely said that he had not.

52. During that same OTR, after confronted with documents related to the loan from AW, Respondent admitted that he had borrowed money from AW, but falsely stated that the AW loan had been repaid within days, when in fact, he repaid the loan some six months after he first received a loan from AW.

53. In response to a question from FINRA Staff at his July 2013 OTR, Respondent also denied that he had taken any loan from the TF Trust, an investor in the Fund. Respondent denied that he had ever spoken to the trustee of the TF Trust regarding a loan.

54. In August 2011, however, Respondent took a $200,000 loan from the TF Trust. That loan is still outstanding.

55. By making false statements to FINRA in testimony, Respondent violated FINRA Rules 8210 and 2010.

Based on the foregoing, Respondent willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and violated NASD Conduct Rule 2370, and FINRA Rules 2020, 8210, and 2010.

Based on these considerations, the sanction hereby imposed by the acceptance of the Offer is in the public interest, is sufficiently remedial to deter Respondent from any future

misconduct, and represents a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTION

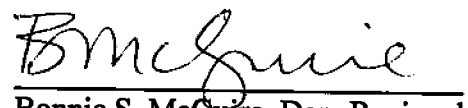
It is ordered that Respondent be barred from association with any FINRA member in any capacity.

The sanction imposed herein shall be effective on a date set by FINRA staff. A bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

Signed on behalf of the
Director of ODA, by delegated authority



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