

**NEW YORK STOCK EXCHANGE LLC
OFFICE OF HEARING OFFICERS**

NYSE Regulation, on behalf of
New York Stock Exchange LLC,

Complainant,

v.

Kevin Kean Lodewick Jr.
(CRD No. 4308532),

Respondent.

Disciplinary Proceeding
No. 2018-03-00016

COMPLAINT

NYSE Regulation (“NYSER”), on behalf of New York Stock Exchange LLC (the “NYSE” or the “Exchange”), alleges:

Summary

1. This matter concerns a kickback scheme involving Kevin Kean Lodewick Jr. (“Lodewick”), a former floor broker at Quattro M Securities Inc. (“Quattro”) and current floor broker at Peter Mancuso & Co. L.P. (“Mancuso”), and Lodewick’s subsequent attempts to obstruct the investigation into his misconduct. Specifically, Lodewick received dozens of undisclosed cash kickbacks from an employee of a third-party broker-dealer (the “BD”) in return for routing millions of dollars of orders to that same employee (the “BD Employee”) while employed at Quattro. Lodewick also received undisclosed cash payments from the BD Employee for introducing him to other prospective customers. This scheme was conducted in complete disregard of the interests of Quattro’s customers. Once Lodewick learned that he was being investigated by NYSER, he began obstructing NYSER’s investigation in an effort to cover up his fraudulent scheme—lying to NYSER staff when under oath, failing to produce and/or

destroying relevant evidence, and encouraging the BD Employee to deny that Lodewick had ever received kickbacks.

2. During the period when Lodewick employed his fraudulent scheme and cover-up (March 2017 through the present, or the “Relevant Period”), Lodewick received dozens of undisclosed kickbacks. By engaging in his kickback scheme, Lodewick violated NYSE Rules 2010 (Standards of Commercial Honor and Principles of Trade) and 2020 (Use of Manipulative, Deceptive or Other Fraudulent Devices).

3. In connection with NYSER’s investigation, NYSER, pursuant to NYSE Rule 8210, requested that Lodewick produce certain documents and appear for on-the-record testimony (“OTR”). As detailed below, Lodewick failed to produce and/or destroyed certain documents and other evidence requested by NYSER. Then, during his OTR, Lodewick knowingly provided false testimony and lied to NYSER staff while under oath. Lodewick further attempted to obstruct NYSER’s investigation by encouraging the BD Employee to deny that Lodewick had ever received kickbacks. As a result, Lodewick violated NYSE Rule 8210(c) (Provision of Information and Testimony and Inspection and Copying of Books).

Respondent and Jurisdiction

4. Lodewick joined Quattro as a floor broker in October 2007, and remained an employee of Quattro until February 2018. Quattro filed a Form U5 for Lodewick on May 14, 2018, in which it claimed his departure from Quattro was “voluntary.”

5. After being suspended and ultimately terminated by Quattro, Lodewick became a registered representative and an employee of Mancuso, also as a NYSE floor broker, on or about April 30, 2018, and continues in that role at present.

6. At all relevant times, Lodewick was a registered representative and an employee of an NYSE member organization.

Statement of Facts

A. Lodewick's Kickback Scheme

7. In or around October 2016, the BD Employee attended a social event with a number of NYSE floor brokers, including Lodewick. Shortly thereafter, the BD Employee contacted Lodewick to pitch the services that the BD Employee could provide to Lodewick in his role at Quattro. At that time, Quattro was not yet a client of the BD.

8. At some point in late 2016 or early 2017, Lodewick then introduced the BD Employee to others at Quattro, including Eugene Mauro ("Mauro"), the Chief Executive Officer and President of Quattro. Mauro subsequently approved the addition of the BD's strategies to Quattro's NYSE handheld devices. Lodewick was the driving force in Quattro becoming a client of the BD and, subsequently, Lodewick began introducing the BD Employee to a number of other NYSE floor brokers, some of whom ultimately also became clients of the BD.

9. The BD Employee was compensated in large part through commissions earned from NYSE floor brokers' order flow. The more orders the NYSE floor brokers routed for execution, the more the BD Employee was paid, and a significant portion of the BD Employee's commissions during the Relevant Period came from Quattro orders. During the period of March 2017 through February 2018, Lodewick routed millions of dollars of orders to the BD Employee.

10. Starting in March 2017, and continuing until at least early February 2018, the BD Employee made numerous payments totaling approximately \$2,000 to Lodewick via Venmo, a mobile phone cash transfer application. The payments ranged in size from \$10 to \$125, and occurred as frequently as four times per day. For example, on January 24, 2018, the BD

Employee sent Lodewick four Venmo payments throughout the trading day as more orders came from Lodewick. Lodewick routed almost \$500,000 of securities to the BD Employee on that day.

11. The BD Employee made numerous payments to Lodewick for Lodewick's order flow and Lodewick's introductions to other potential clients.

12. For example, on September 15, 2017, the BD Employee transferred \$30 to Lodewick via Venmo, along with the message, "Thanks for a good week." On January 11, 2018, the BD Employee transferred \$20 to Lodewick along with the message "Let's go - stop this odd lot shit," to mock Lodewick for the small size of Lodewick's trades that day.

13. Lodewick also affirmatively solicited payments from the BD Employee in return for order flow. For example, Lodewick on multiple occasions called the BD Employee before the market open telling the BD Employee to get his Venmo ready because it was going to be a big day.

14. Lodewick participated in this kickback scheme without disclosing it to Quattro's customers, and in complete disregard of their interests.

15. In addition to the dozens of kickback payments that Lodewick received over the course of a year, the BD Employee also arranged, at Lodewick's request, for Lodewick to accompany a number of BD employees on a trip in December 2017 to a private island in the Bahamas owned by one of the BD's executives. The BD paid for Lodewick's travel to and from the island and also provided for Lodewick's accommodations. Lodewick was the only client of the BD to attend this trip.

B. Lodewick's Scheme is Uncovered

16. As Lodewick later described to the BD Employee, on or about the morning of February 13, 2018, Mauro received an anonymous communication informing him that, among

other improper conduct, Lodewick was receiving kickbacks from an employee of the BD. A heated argument between Mauro and Lodewick ensued and, as a result, Mauro informed Lodewick that his employment at Quattro was being suspended, and that he had to leave the NYSE floor immediately. Shortly thereafter, Mauro contacted NYSE Operations Staff and requested that the Exchange suspend Lodewick's access to the Exchange's premises and systems. While Lodewick was not formally terminated by Quattro until May 14, 2018, he never returned to the NYSE floor as a broker for Quattro.

17. Shortly after his removal from the NYSE floor on February 13, 2018, Lodewick met with the BD Employee and explained that the anonymous communication received by Mauro had led to his suspension.

18. Lodewick began his current employment as a floor broker at Mancuso on or about April 30, 2018, after Quattro had made the decision to terminate him.

C. Lodewick's Obstruction and Cover-Up

19. On March 5, 2018, NYSER initiated an investigation in connection with Lodewick's suspension (the "Investigation"). Since then, Lodewick has repeatedly sought to obstruct the Investigation and stop NYSER from learning about his kickback scheme.

20. As will be discussed below, Lodewick has obstructed the Investigation by: (1) providing false testimony, (2) withholding and/or destroying evidence, and (3) encouraging the BD Employee to lie to NYSER staff.

21. During Lodewick's April 10, 2018 OTR in connection with the investigation, Lodewick lied under oath multiple times.

- a. Lodewick falsely testified that he had never received any payments from the BD or any of the BD's employees (*e.g.*, "Q: You've never been paid any money whatsoever by any employee of [BD]? A: No, we pay them

every month. Q: Have you ever received anything of value from any employee of [BD]? A: No.”).

- b. Lodewick falsely claimed that his suspension had been the result of a disagreement with Mauro concerning Lodewick’s “attitude” and “work ethic,” and that, to his knowledge, no other issues had contributed to his suspension—despite the fact that Lodewick told the BD Employee that he was suspended because Mauro had received an anonymous communication alleging that Lodewick was receiving kickbacks from the BD Employee (among other improprieties).
- c. Lodewick falsely testified that he had never used his personal cellular phone to conduct business-related communications with the BD Employee (despite the existence of numerous texts proving otherwise).

22. Lodewick was aware that his statements were under oath and were false when he made them.

23. In addition to lying under oath, Lodewick has withheld and/or destroyed documents requested by NYSER.

24. For example, on April 13, 2018, NYSER requested, from Lodewick and Quattro, all text messages sent or received on or after January 1, 2018 between Lodewick’s personal cellular phone and any employee of the BD, including the BD Employee. Counsel for Quattro and Lodewick responded in writing on April 18, 2018 that there were no such communications responsive to NYSER’s request.

25. In fact, Lodewick traded hundreds of text messages with the BD Employee during the period covered by NYSER’s request, including a text message Lodewick sent the BD

Employee on the same day that his counsel informed NYSER that no such communications existed. Lodewick and the BD Employee continued to send text messages to each other on a regular basis for months as NYSER's investigation continued, including as recently as a few weeks before the filing of this complaint. Lodewick has not produced a single one of these text messages with the BD Employee, despite the fact that NYSER's request imposes an obligation on Lodewick to continue producing documents as they become available.

26. Also, following his suspension by Mauro on February 13, 2018, Lodewick told the BD Employee that he intentionally deleted his Venmo account. This was a clear effort to purposefully hide the payments he had received from the BD Employee.

27. Lodewick further attempted to cover up his misconduct through his interactions with the BD Employee. For example, on April 4, 2018, while Lodewick was in the process of arranging a new position as a NYSE floor broker with Mancuso, in an effort to prevent his future employer from learning of his kickback scheme, Lodewick instructed the BD Employee—"Don't say anything to Peter [Mancuso]."

28. Similarly, after NYSER issued an OTR notice to the BD Employee, Lodewick sought to influence the BD Employee's upcoming statements to NYSER staff by urging him to characterize the Venmo payments as personal transactions between friends—even though, as discussed above, the BD Employee had sent Lodewick dozens of payments as kickbacks for routing orders to the BD Employee.

29. And, on June 26, 2018, the week before the filing of this Complaint, Lodewick called the BD Employee and asked about the date of the BD Employee's upcoming OTR with NYSER. After the BD Employee informed Lodewick that he could not discuss the ongoing

investigation and ended the call, Lodewick continued to harass the BD Employee, calling him five additional times over the following two days.

First Cause of Action

(Fraudulent Kickback Scheme—NYSE Rules 2010 and 2020)

30. NYSE Regulation re-alleges and incorporates by reference each preceding paragraph.

31. NYSE Rule 2010 requires that “[a] member or member organization, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.”

32. NYSE Rule 2020 provides that “[n]o member or member organization 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.”

33. As discussed above, Lodewick knowingly received kickback payments from the BD Employee in return for routing order flow to the BD to execute certain customer trades, as well as for introductions to other NYSE floor brokers. Lodewick also knowingly hid and did not disclose these kickbacks.

34. By engaging in an undisclosed kickback scheme with the BD Employee, Lodewick knowingly failed to observe high standards of commercial honor and just and equitable principles of trade, and also effected transactions in securities by means of manipulative, deceptive and fraudulent devices.

35. As a result of the foregoing, Lodewick willfully violated NYSE Rules 2010 and 2020.

Second Cause of Action

(Failure to Provide Testimony and Documents and Obstruction of the Investigation—NYSE Rules 8210 and 2010)

36. NYSE Regulation re-alleges and incorporates by reference each preceding paragraph.

37. NYSE Rule 8210(c) provides that “No . . . covered person shall fail to provide information or testimony or to permit an inspection and copying of books, records, or accounts pursuant to this Rule.”

38. At all times during the Relevant Period, Lodewick was a registered representative and associated with Quattro or Mancuso. Accordingly, Lodewick was a covered person as defined by NYSE Rule 9120(g).

39. NYSE Rule 2010 requires that “[a] member or member organization, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.”

40. As discussed above, NYSER took Lodewick’s sworn testimony, and requested a range of documents pursuant to NYSE Rule 8210.

41. Lodewick made a number of knowing false statements during his April 10, 2018 OTR, including by directly and falsely testifying that he had never received any payments from any employee of the BD. Lodewick also lied in his OTR when he said he did not text with the BD Employee about business, and he also was not accurate and truthful about the reasons why he was suspended from Quattro (namely, because Mauro became aware of the kickback scheme).

42. Lodewick also failed to produce and/or destroyed a range of documents and evidence responsive to NYSER’s request for information, including by deleting his Venmo account and failing to provide his text messages with the BD Employee.

43. Moreover, as discussed above, Lodewick also encouraged the BD Employee to mislead NYSER staff by denying that Lodewick had ever received kickbacks.

44. As a result of the foregoing, Lodewick willfully violated NYSE Rules 8210 and 2010.

RELIEF REQUESTED

WHEREFORE, NYSE Regulation, on behalf of NYSE, respectfully requests that the Panel:

- A. make findings of facts and conclusions of law that Respondent committed the violations charged and alleged herein, and therefore, subject him to discipline pursuant to NYSE Rules 8310(a) and 8311;
- B. make specific findings that Lodewick willfully violated NYSE Rules 2010, 2020, and 8210;
- C. order that one or more of the sanctions provided under NYSE Rule 8310, including, without limitation, a bar be imposed against Lodewick;
- D. order that the Respondent bears such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with NYSE Rule 8310; and
- E. grant all further relief, legal or equitable, that is warranted under the circumstances.

Date: July 2, 2018
New York, New York

Respectfully submitted,

NYSE Regulation

A handwritten signature in blue ink, appearing to be 'William R. Vanderveer', is written over a horizontal line.

William R. Vanderveer
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NYSE Regulation, on behalf of
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**Statement of the Exchange Regarding Allegations
In a Disciplinary Complaint Pursuant to Exchange Rule 8313(b)(1)**

This statement of charges is a disciplinary complaint under Exchange Rules. A disciplinary complaint represents the initiation of a formal proceeding by the Exchange in which findings as to the allegations in the complaint have not been made and does not represent a decision as to any of the allegations contained in the complaint.