



ARIZONA CORPORATION COMMISSION

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Commission Sanctions Stockbroker for Impersonating Clients to Make Unauthorized Withdrawals and Misuse Funds, *Revokes Licenses and Denies Pending Investment Adviser Application*

PHOENIX, AZ—The Arizona Corporation Commission today ordered a former securities salesman and investment adviser representative to pay more than \$3 million in restitution and a \$200,000 administrative penalty for his dishonest and unethical conduct, including the impersonation of his clients to withdraw money from their investment accounts. As a result, the Commission revoked his securities salesman registration and investment adviser representative's license as well as denied his application to be an investment adviser.

The Commission found that, while acting as an investment adviser representative, Richard M. Schmerman of Phoenix, used confidential security information to impersonate his clients over the telephone in order to make unauthorized withdrawals from their brokerage accounts. The Commission found that on numerous occasions, the investor funds entrusted to Schmerman were either withdrawn in the form of cash or misused by Schmerman for purposes other than investments for his clients. Additionally, the Commission found that, when taking custody of investor funds, Schmerman failed to disclose to his clients that he was no longer registered as a securities salesman or licensed as an investment adviser representative. The Commission found that Schmerman conducted his financial services business, which included tax preparation and portfolio management, through his affiliated companies, Diversified Financial and Diversified Financial Planners.

For more details about this case, view the full text of the Commission's order [S-20757A-10-0373](#). The Commission's final order against the named respondent will be posted online as soon as it is signed by all of the Commissioners. Please check the website in a few days:

<http://www.azcc.gov/divisions/securities/enforcement/enforce-orders.asp>

More caution for investors:

In accordance with state law, investment adviser representatives are required to provide a copy of a Form ADV to inform clients about fees, types of investments and how the adviser will handle a client's investments. Even when investing with someone they know, investors should verify the registration of securities salesmen, license status of investment advisers, investment opportunities and investigate disciplinary histories by contacting the Arizona Corporation Commission's Securities Division at 602-542-4242 or toll free in Arizona at 1-866-VERIFY-9 (837-4399). The Securities Division's investor education website also has helpful information at www.azinvestor.gov.

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