SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.

LITIGATION RELEASE NO. 16607 / June 23, 2000

SECURITIES AND EXCHANGE COMMISSION v. ENTERPRISES SOLUTIONS, INC., et al., Case No. 00 Civ. 2685 (Cedarbaum, J.) (U.S.D.C., S.D.N.Y.)

SEC FILES AMENDED COMPLAINT IN ENTERPRISES SOLUTIONS LITIGATION

On June 23, 2000, the Securities and Exchange Commission filed an amended complaint in its securities fraud case against Enterprises Solutions, Inc. ("ESI"), Herbert S. Cannon, and John A. Solomon. The amended complaint, filed in the United States District Court for the Southern District of New York, alleges the same securities fraud violations as did the original complaint, but, in accordance with a direction from the court during a hearing held on May 26, 2000, provides further specificity as to defendant Cannon's role with Enterprises Solutions and his relationship with brokers in the Fort Lauderdale office of Global Financial Group.

As previously announced, the Commission temporarily suspended trading in ESI's stock for a ten-day period beginning March 30, 2000, based on questions concerning the accuracy and completeness of assertions made by ESI in its filings with the Commission, in its recent press releases, and on its Internet website, including questions about the identity of persons in control of the operations and management of the company. See Exchange Act Rel. No. 42593 (March 30, 2000). The Commission originally filed its securities fraud case against ESI and the other defendants on April 6, 2000, at which time it also obtained an immediate asset freeze preventing the removal of more than $2.3 million in assets from the securities accounts of relief defendants Rowen House Limited and Montville Limited, both based in Gibraltar. See Lit. Rel. No. 16506 (April 7, 2000). On May 1, 2000, after the Commission presented further evidence in the case, the court entered a preliminary injunction extending the asset freeze pending a final resolution of the matter at trial. See Lit. Rel. No. 16543 (May 9, 2000). The case has been proceeding against all defendants, and the court has not yet set a date for trial.

This enforcement action is part of the Commission's four-pronged approach to attacking microcap fraud: enforcement, inspections, investor education and regulation. For more information about the SEC's response to microcap fraud, visit the SEC's Microcap Fraud Information Center at http://www.sec.gov/news/extra/microcap.htm. Information on trading suspensions is available at http://www.sec.gov/enforce/tsuspend.htm.

http://www.sec.gov/litigation/litreleases/lr16607.htm

Modified:06/22/2000

SECURITIES AND EXCHANGE COMMISSION

Litigation Release No. 17063 / July 6, 2001

JUDGMENT ENTERED AGAINST HERBERT S. CANNON AND JOHN A. SOLOMON FOR SECURITIES FRAUD

SECURITIES AND EXCHANGE COMMISSION v. ENTERPRISES SOLUTIONS, INC., HERBERT S. CANNON, and DR. JOHN A. SOLOMON, United States District Court for the Southern District of New York, Case No. 00 Civ. 2685 (MGC)

The Securities and Exchange Commission announced today that on July 2, 2001 the Honorable Miriam G. Cedarbaum of the United States District Court for the Southern District of New York entered final judgments against defendants Herbert S. Cannon and John A. Solomon. The judgment against Cannon enjoins him from violating the antifraud provisions of the Securities Exchange Act of 1934, orders him to disgorge $1,000,000 of ill-gotten gains, and requires him to pay civil money penalties of $100,000. The judgment against Solomon orders him to pay civil money penalties of $10,000. The Court declined to enjoin Solomon.

Based upon evidence the Commission presented during a trial in January 2001, Judge Cedarbaum found, among other things, the following:

- Cannon controlled ESI not only before Solomon's arrival, but also for some period of time after Solomon became President.

- Both Cannon and Solomon committed securities fraud by knowingly and intentionally defrauding investors and deceiving government regulators in violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. Both defendants concealed Cannon's role in the management of Enterprises Solutions, Inc. ("ESI") to avoid disclosing that Cannon had an extensive history of past violations, including three prior criminal convictions, two SEC permanent injunctions and a bar from the securities industry.

- Cannon had a significant ownership interest in the company as the beneficial owner of the ESI stock held by several entities based in Gibraltar, including relief defendants Rowen House, Ltd. and Montville, Ltd. Cannon reaped illicit profits by arranging to have these entities sell hundreds of thousands of shares of ESI stock at a time when ESI was making false statements about the company to the public.

- During the period when Solomon and Cannon were directing ESI's activities, the company made false statements and material omissions in its registration statement, in a press release and on its website,

including the following:

- ESI's website represented that ESI had "developed a suite of products and solutions for internet security" and "established a business relationship with our customers that will last a lifetime." These statements misleadingly gave the impression that ESI was a fully developed company with an actual source of revenue, when in reality it had no revenues and no customers, it had not engaged in any product development, and its limited operations were funded solely by sales of stock and loans from investors. Solomon knew that these statements were false and misleading but knowingly allowed them to be published.

- ; ESI's March 14, 2000 press release misleadingly overstated the security properties of ESI's internet security products and deceptively suggested that ESI had a product that was ready for sale to the marketplace.

- ESI's registration statement failed to disclose that Solomon's prior company had gone bankrupt in 1995, even though Solomon conceded at trial that the information was relevant to investors and should have been disclosed.

Several previous Commission releases describe important events leading up to the Court's judgment. To stop the ongoing fraud, the Commission suspended trading in ESI's stock on March 30, 2000. See Exchange Act Rel. No. 42593 (March 30, 2000). One week later, the Commission filed this action and obtained an order which temporarily froze more than $2.3 million in ESI stock sale proceeds being held in the brokerage accounts of the relief defendants. See Litigation Release No. 16506 (April 7, 2000). On May 1, 2000, the Court granted a preliminary injunction extending the freeze pending the outcome of this case. See Litigation Release No. 16543 (May 9, 2000). On October 16, 2000, ESI consented, without admitting or denying the Commission's allegations, to be permanently enjoined from violating Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder and agreed to amend its registration statement. See Litigation Release No. 16778 (October 25, 2000).

The SEC acknowledges the assistance of the National Association of Securities Dealers Regulation, Inc. in investigating and prosecuting this matter.

This enforcement action is part of the Commission's four-pronged approach to attacking microcap fraud: enforcement, inspections, investor education and regulation. For more information about the SEC's response to microcap fraud, visit the SEC's Microcap Fraud Information Center at http://www.sec.gov/news/extra/microcap.htm. Information on trading suspensions is available at http://www.sec.gov/enforce/tsuspend.htm. For tips on how to avoid Internet "pump-and-dump" stock manipulation schemes, visit http://www.sec.gov/investor/online/pump.htm.

http://www.sec.gov/litigation/litreleases/lr17063.htm

U.S. Securities and Exchange Commission

Administrative Proceeding File No. 3-9699
In the Matter of
Olde Discount Corp., Ernest J. Olde, Stanley A. Snider, and Daniel D. Katzman

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UNITED STATES OF AMERICA

Before The

SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933

Release No. 7577

SECURITIES EXCHANGE ACT OF 1934

Release No. 40423

ADMINISTRATIVE PROCEEDING

File No. 3-9699

ORDER INSTITUTING PUBLIC ADMINISTRATIVE PROCEEDINGS PURSUANT TO SECTIONS 15(b), 19(h), AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 8A OF THE SECURITIES ACT OF 1933, MAKING FINDINGS, IMPOSING REMEDIAL SANCTIONS AND MONETARY PENALTIES, AND ISSUING CEASE-AND-DESIST ORDERS

In the Matter of OLDE DISCOUNT CORP., ERNEST J. OLDE, STANLEY A. SNIDER, AND DANIEL D. KATZMAN

Respondents.

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative proceedings be instituted pursuant to Section 8A of the Securities Act of 1933 ("Securities Act") and Sections 15(b), 19(h), and 21C of the Securities Exchange Act of 1934 ("Exchange Act") against Olde Discount Corp. ("Olde"), Ernest J. Olde ("E. Olde"), Stanley A. Snider ("Snider"), and Daniel D. Katzman (collectively "the Respondents"). In anticipation of the institution of these administrative proceedings, the Respondents have submitted Offers of Settlement, which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and prior to a hearing pursuant to the Commission's Rules of Practice, 17 CFR 201.100 et seq., the Respondents, by their Offers of Settlement, admit the jurisdiction of the Commission over them and the subject matter of this administrative proceeding and consent to the entry of this Order Instituting Public Administrative Proceedings, Making Findings, Imposing Remedial Sanctions and Monetary Penalties, and Issuing Cease and Desist Orders ("Order") without admitting or denying the Commission's findings except for those contained in Section III.A., which are admitted.

II.

Accordingly, IT IS HEREBY ORDERED that proceedings pursuant to Section 8A of the Securities Act and Sections 15(b), 19(h), and 21C of the Exchange Act be, and hereby are, instituted.

III.

On the basis of this Order and the Respondents' Offers of Settlement, the Commission finds[1] the following:

A. Respondents

Olde has been registered with the Commission as a broker-dealer since October 27, 1971 pursuant to Section 15(b) of the Exchange Act.[2] The firm's main office is in Detroit, Michigan, and it has had as many as 197 branch offices throughout the United States. Olde is a member of all the national exchanges and the National Association of Securities Dealers, Inc. ("NASD"). The New York Stock Exchange ("NYSE") is the firm's designated examining authority.

E. Olde is the founder, chairman and majority shareholder of Olde Financial Corp. ("Olde Financial"), the parent company of Olde. At all times relevant to this proceeding, E. Olde was also a director of Olde. E. Olde served as the Olde regional manager for Florida from October 1992 until at least June 1993.

Snider was, at all times relevant to this proceeding, a director, senior vice president, the national sales manager of Olde, and a shareholder of Olde Financial.

Katzman was, at all times relevant to this proceeding, a vice president of Olde and regional manager for several of the firm's regions. Katzman was also in charge of Olde's "private brokerage" offices, which handled the accounts of the firm's wealthiest customers. Katzman became a shareholder of Olde Financial in 1994.

B. Summary

These proceedings involve sales practice violations at Olde which occurred from Fall 1992 through at least August 1995 ("the relevant period"). As a consequence of the firm's compensation, production, hiring and training practices, an environment was created at Olde in which a number of Olde registered representatives ("RRs") engaged in churning, unauthorized trading, misrepresentations and omissions of material facts, and unsuitable recommendations.

Olde policies during the relevant period included a compensation system which provided substantially higher payouts for transactions in stocks recommended by Olde – products known within Olde as "special venture" stocks. Further, the firm paid differing levels of compensation in the form of sales credits for different special venture stocks. This created a potential conflict of interest with customers that, in fact, came to fruition in certain instances. Along with establishing production requirements, Olde established a system of special venture position quotas and stated that RRs who failed to satisfy them would be dismissed. In addition, Olde maintained a policy of taking customer accounts away from an RR if the RR did not sell at least one Olde "special product", which included various securities other than special ventures stocks, to each customer every six months.

Olde's sales force contained a number of recent college graduates with no experience in the securities industry. These inexperienced employees were hired and then underwent a training program that consisted primarily of instruction in sales techniques, including high pressure sales techniques.

Olde's compensation, production, hiring and training practices combined to create an environment in which sales practice abuses occurred. At certain offices around the country, certain Olde RRs sought to satisfy the firm's production requirements by using high pressure sales tactics to sell those special venture stocks for which the firm was paying the highest compensation at the time. In the process, certain RRs churned customer accounts, effected unauthorized and unsuitable trades, and misrepresented and omitted to disclose material facts.

Olde is liable for these violations because they occurred in an environment created by the firm's policies. Snider and Katzman implemented these policies and induced certain of the violations because they acted, at a minimum, recklessly in failing to respond adequately to certain problems brought to their attention that could be expected to and did occur given these policies. Snider and Katzman were each a cause of certain of Olde's violations due to the foregoing conduct which they knew or should have known would contribute to such violations. E. Olde failed reasonably to supervise with a view to preventing such violations because he formulated and oversaw the adoption of most of these policies; such policies made it difficult to establish procedures and a system for applying such procedures

which could have prevented the violations. E. Olde was a cause of Olde's violations due to the foregoing conduct which he knew or should have known would contribute to such violations.

C. Background

Olde was incorporated and registered with the Commission as a broker-dealer in 1971. From 1971 until 1975, the firm operated as a full-service firm. In 1975, when fixed-rate commissions were abolished, Olde became a discount broker-dealer and changed its name to the present Olde Discount Corp. From 1975 until the mid-1980s, Olde operated strictly as a discount firm. The firm offered no investment advice to its customers, and its RRs simply took their customers' orders.

In the mid-1980s, however, Olde began to expand its services beyond those of a traditional discount broker-dealer. A research department was established and analysts to staff that department were hired. Toward the end of the 1980s, Olde began making recommendations to its customers. During this time, Olde's research department continued to grow. By 1990, Olde had labeled the stocks that its research department followed and in which the firm made a market "special venture" stocks.[3]

During the relevant period, the firm's list of special venture stocks numbered approximately 200 exchange listed and NASDAQ stocks. While the list included a number of well-known, heavily traded stocks, the majority of the stocks on the list were speculative or growth investments. Olde's brochures regarding the special venture stocks stated that the firm's research department believed that the stocks on the list provided the customer the best chance for maximum return if held between two and four years.

Olde advertises itself as "America's Only Full-Service Discount Broker" in newspapers and magazines, through direct-mail, and on television. During the relevant period, the firm's advertising centered principally around its "Commission-Free Trading" service to individuals who maintain an account with a minimum equity balance of $500,000.

Customers with these "SmartTrade" accounts can trade 1,000 or more shares of any stock, without being charged a commission, "commission free". Customers who did not qualify for a SmartTrade account nevertheless could trade commission free anytime they bought 1,000 or more shares of an Olde recommended stock. The firm called this latter service "SmartTrading," until it was discontinued in December 1996. Olde also attracts customers by marketing a money market fund.

During the relevant period, the special venture program and related trading became increasingly important to the firm, growing more than four fold. During that period, special venture and related trading revenue as a percentage of total firm revenue increased from 32% to 46%. From 1990 through August 1995, Olde grew from 160 offices employing 375 RRs, to 197 offices employing 1,185 RRs.

D. Olde's Compensation, Production and Training Practices

Olde implemented and maintained certain policies and procedures which

had the effect of emphasizing the sale of special venture stocks. Olde's compensation system provided substantially higher payouts for the sale of special venture stocks than for all other stocks. Olde enforced a variety of production requirements and position quotas on its RRs, the effect of which was to require RRs, if they were to be successful, to concentrate their selling efforts on special venture stocks. Through an internal system of sales credits, Olde provided economic incentives to RRs to recommend those special venture stocks which would provide them with a higher payout.[4] Finally, Olde trained its RRs in high pressure sales techniques.

As illustrated below, a number of Olde RRs responded to the firm's compensation system and production requirements and to the availability of high sales credits on particular special venture stocks, by concentrating primarily on the sale of those special venture stocks that offered high sales credits, and by soliciting their customers to purchase a special product at least every six months.

1. Olde's Compensation Practices

During the relevant period, Olde's compensation system created the potential for a conflict of interest between Olde and its customers. Olde RRs received a salary of $1,200 per month. The remainder of their monthly income was primarily dependent on sales of securities to the firm's customers.

While Olde RRs could earn compensation for executing trades in the myriad of stocks that were not followed by Olde's research department ("non-Olde stocks"), as a practical matter, the payout received by RRs for those trades was relatively insignificant. Before Olde RRs could earn commissions from such "agency trades,"[5] they were required to generate monthly gross commissions from such trades of $5,000, at which point they received 5% of that gross amount.[6] At $10,000 in monthly gross commissions from agency trades, an RR would earn 10% of the gross amount. RRs, however, found it difficult to reach the $5,000 level in agency trade gross commissions because commissions on such trades were based on the firm's discounted commission schedule.

The payout for trades in Olde's special products was, in contrast, generous. RRs who generated $10,000 or less in monthly "special products gross" received 20% of the gross figure as their monthly payout. As is discussed in more detail below, an RR's "special products gross" was the monthly total of any markups, markdowns, or commissions charged to the customer, sales loads on fund products, and a share of the spread on his or her special venture stock trades. Once an RR generated monthly special products gross of more than $10,000, the payout on the total gross figure increased to 33%.[7] Commissions generated from trades in agency stocks did not count toward the "special products gross."

A compensation system that provides for extra compensation to RRs for the sale of particular products creates the potential for a conflict of interest between a firm and its customers.[8] The compensation system at Olde, which provided for generous rewards to RRs for the sale of special venture stocks relative to other trades, jeopardized the provision of unbiased investment advice and provided an inducement for RRs to recommend transactions in securities in which they had the greatest financial interest.

2. Olde's Production Requirements and Position Quotas

Olde's production requirements and position quotas emphasized the sale of special venture stocks. To be considered for "commission privileges," that is the right to be compensated under the formula described above, newly licensed Olde RRs were required to generate special products gross of at least $15,000 for a minimum of two consecutive months. At that point, the firm's National Sales Department considered whether to grant the RR commission privileges. The factors Olde considered as relevant to that determination included the ability to sell special products, the ability to persuade previously inactive customers to buy special products, and the ability to prospect for new customers. An RR's success in servicing the firm's agency trade business was not a factor.

Once RRs earned commission privileges, they were required to meet specific production quotas related exclusively to their ability to sell special products. Specifically, RRs with commission privileges were required to generate $10,000 each month in special products gross and sell an additional $100,000 per week in fixed income products or mutual funds.[9]

Increasing "money line market value" and "building positions" were mainstays of Olde's sales emphasis. "Money line market value" was the aggregate value of all customer accounts. "Building a position" meant making a new investment in a special venture stock not already in a customer's account. In order to maintain commission privileges, Olde RRs were required to build an average of two special venture stock positions per day worth at least $20,000 in the aggregate.[10] Significantly, in calculating the number of positions built by an RR on any day, the firm subtracted any positions sold that day. Also, as mentioned above, the net gain of two stock positions had to add at least $20,000 to the RR's "moneyline market value."[11]

Olde's requirement that its RRs generate at least $15,000 in special products gross in two consecutive months in order to earn commission privileges placed its newly hired and licensed RRs in an atmosphere in which instances of churning and unsuitable recommendations could and did occur. Similarly, by requiring RRs to build positions in special venture stocks or run the risk of termination or a lower commission payout, Olde ensured that its RRs would continue aggressively to attempt to induce customer purchases in special venture stocks.

Olde's policies created an environment in which the pressure for production overshadowed suitability determinations. In this environment, Olde's supervision in some instances as to suitability was inadequate. Certain Olde RRs approached the issue of suitability by doing nothing more than making sure that the customer's preference profile ("CPP") information on file was not patently inconsistent with the trading activity in the account. The CPP consisted of information extracted from the account opening form, which the customer signs, regarding the customer's investment experience, investment goals, and risk tolerance. The information from the account opening form was put into Olde's computer system, making it accessible firmwide. Certain Olde RRs changed this information by filling out a "CPP Update Form," which, unlike the account opening form, did not require a customer signature. These RRs changed CPPs without telling their

customers, in order to conform the stated investment objectives to the aggressive manner in which the RRs were trading the accounts.

3. Olde's Use of Sales Credits

Olde employed a system of differing sales credits, ranging from $.0625 to over $1.00 per share for the purchase of different special venture stocks. These sales credits often made up the largest portion of an RR's monthly special products gross. The remaining amount of an RR's monthly gross came from markups and markdowns, which were relatively small because they were calculated under the firm's discounted formula for commissions on non-Olde stocks. Under the compensation practices of Olde, an RR's selection of which special products to recommend had a direct impact on the RR's monthly special products gross, and therefore monthly income.

Olde kept its sales force informed of the sales credits by posting them on its firm-wide computer system. Every RR had a computer terminal on his or her desk and could access the credit information instantaneously. The credits changed frequently, and the firm employed staff in its Detroit headquarters to keep the "credit screen" updated continuously. The firm flagged high credits on the credit screen by placing exclamation points or asterisks on either side of those credit figures. Traders also telephoned RRs to alert them to stocks paying high credits. When Olde traders needed to purchase a particular stock but could not find it in the market, at times, they offered "sell-side" credits to Olde's RRs, some of whom would then attempt to convince their customers to sell the stock.

Olde's traders set and frequently changed the sales credits, designating a portion of the spread as the credit. With the sales credits coming from the spread, stocks with large spreads tended to have larger credits.[12] Because sales credits could influence the decisions that RRs made as to which securities to recommend, there was the potential for a conflict of interest between Olde and its customers to the extent that those securities which carried the highest credits tended to be securities that were more speculative issues, and therefore rarely suitable for a conservative investor.

4. Olde's Practices and Procedures Regarding RRs and Their Customers Who Failed to Effect Transactions in Special Products

During the relevant period, Olde implemented a so-called "six-month rule." Under the six-month rule, in order to keep a customer, an RR had to execute a buy transaction in a special product in that customer's account at least once every six months. Sales transactions did not count, nor did purchases of non-Olde stocks, regardless of the size of the trades. If a customer did not purchase a special product within six months, the customer's account was reclassified as a "house account" and coded "999" in Olde's computer system, to which other RRs had access. The customer had no voice in the matter. From that point on, any RR could solicit the customer to buy a special product. If another RR was successful in getting the customer to buy a special product, the customer would then be assigned to that RR, who would keep the account as long as he or she abided by the six-month rule. The firm encouraged the sales force to waste no time on people who repeatedly rejected the firm's recommendations.

5. Olde's Hiring and Training Practices Encouraged the Use of High Pressure Sales Techniques

(a) Olde Hired Recent College Graduates Without Prior Securities Industry Experience

During the relevant period, many of Olde's new hires were recent college graduates with no prior securities industry experience. The interview process reveals much about what Olde looked for in a new RR. As part of the interview process during the relevant period, prospective RRs were given a research report for one of the firm's special venture stocks and told to study it for 10 minutes, at the conclusion of which they were required to "pitch" the stock to an Olde regional manager, the goal being to get the "customer" to buy 1,000 shares of the stock. Those who did well were hired.

Once hired, new employees began an apprenticeship program Olde called the graduated B52/B7FI and Assistant Programs ("the assistant programs"). Under the assistant programs, all new hires began work as "call center trainees," prospecting for new customers while studying for the Series 52 examination. If the trainees passed their Series 52 examination on the first try, they were allowed to continue in the program; if not, they often were dismissed.

After studying for and passing their Series 52 examination, the municipal securities representatives, known within Olde as the B52s, began selling municipal securities and studying for their Series 7 examination. In order to continue in the program, the assistants were required to pass their Series 7 examination on the first try, sell $500,000 in fixed income investments, and open 20 new accounts, within five months of entering the program. Those who achieved these goals became B-7 Licensed Assistants ("licensed assistants") and were sent to firm headquarters in Detroit for two-weeks of classroom training, which Olde attempted to conduct each month. RRs who did not achieve those goals often were dismissed.

(b) Olde Instructed Its RRs in High Pressure Sales Techniques

During the relevant period at the two-week training classes held periodically at Olde's headquarters, Olde taught its new RRs a number of specific techniques designed to increase their chances of selling special venture stocks, thereby maximizing the firm's profit and the income to the RRs. The two weeks of classroom instruction focused primarily on intensive sales training. In addition to lectures on specific sales techniques, the firm distributed sales scripts and set aside time for the new RRs to practice those techniques on each other in role-playing sessions. With superbrokers, regional managers and occasionally Snider looking on, the new RRs paired up and pretended to sell each other special venture stocks. In these sessions, the trainee playing the customer tried to end the conversation without buying anything, while the trainee playing the RR attempted to make a sale, regardless of any objections tendered by the "customer."

(i) Cross-Selling

One technique taught in training was that which Olde referred to as "cross-selling." Olde provided its RRs with "cross-selling directories," which juxtaposed non-Olde stocks with special venture stocks in the same general industry groups. The special venture stocks in these directories were securities which had been analyzed by Olde's research department. Under the compensation practices described above, Olde RRs received relatively insignificant compensation for trades in non-Olde stocks listed in the directories. Olde RRs were taught to attempt to convince customers who wished to place an order for the purchase of a non-Olde stock to purchase a special venture stock instead.

Significant numbers of Olde RRs viewed aggressive cross-selling as necessary to survive at Olde since the firm paid RRs relatively insignificant compensation for trades in non-Olde stocks. As Katzman said at the two-week training course, "why let someone buy a stock you're not going to get paid on?"

(ii) "Three Bullets and a Close" -

Sales Scripts

On the topic of how to convince customers to buy special venture stocks, the firm taught its RRs a technique known among the firm's RRs as "three bullets and a close." The technique required RRs to pick out three positive facts from the research reports Olde issued on its special venture stocks and to "create a sense of urgency" by delivering those facts to the customer in rapid succession, followed immediately by a closing (a concluding statement designed to prompt the customer to make a decision) from a script of closings the firm handed out at training. Among the closings on the script were: "The stock is going up. Let's buy 1000 shares," "My favorite stock is _____. I'm buying it for all my customers and I would like you to buy 1000 shares," and "The market is down, this is no time to run and hide, this is a buying opportunity. The stock is going up let's buy 1000 shares." If the customer did not agree to buy after the first three bullets and a close, the technique required the RR to pitch three more bullets and another close and to repeat the pattern until the customer bought. Snider would give demonstrations of these techniques during training sessions.

(iii) Creating a Sense of Urgency

Creating a sense of urgency in solicitations to customers was a theme in Olde's sales manual during the relevant period. For example, the manual described the "Take Away Close," which required the RR to tell the customer, "If you don't buy today, you won't be able to get the product tomorrow or be able to buy the stock at the same price." In addition, the sales manual instructed Olde RRs to solicit new customers quickly and aggressively. "Remember," the manual stated, "the romance of a relationship is much stronger in the first two weeks. Build positions in many different issues during this time." Moreover, Katzman made it well known that he did not want RRs talking for extended periods with any one customer and even distributed hundreds of three-minute egg timers, purchased by the firm's then president, to its RRs to remind them not to talk too long to any single customer.

(iv) Responses to Objections

In addition to the script of recommended closings, in numerous training sessions during the relevant period, Olde distributed to new RRs a script of suggested responses to common objections raised by reluctant customers. For example, to the objection "I have no money," the script directed the RR to "Explain how margin can work." To the objection "I never heard of the company," the RR was to respond "The company makes money, is a market leader, and the stock is going higher." To the objection "I have to check with my wife," the RR was to respond "What if (she says) `NO'? – I'm telling you this idea because I'm an expert. I'm not the final authority, but I make a living doing this. I hope the person you check with cares as much about your financial success as I do." And, to the objection "I'll watch it," the RR was to respond "You'll only watch it go up. Stop watching and buy the stock, it is going higher."

The objection script was used even though it called upon the RRs to make misrepresentations, the responses calling for the RRs to represent that the stock "is going up" being only the most obvious examples. Another example is the response to the objection "I'll watch (the stock for awhile)," which called for the RR to respond "I've been watching this stock for two years. This is the time to buy 1,000 shares." Given the high turnover at Olde, the majority of its RRs had not been in the securities industry for two years, much less following a particular stock for two years. Another misrepresentation from the script came in response to the objection "I don't take recommendations." The script called for the RR to respond "I spend 60 to 80 hours a week analyzing and researching investments. We are highly qualified to give recommendations." Former employees testified that, in their experience, the only "analyzing" RRs did was reading Olde's research reports in order to extract "bullets" for their sales pitches.[13]

(v) Use of Margin

Olde also trained its new RRs to recommend that customers use margin, and the firm reinforced that training in a number of ways. For example, in the firm's sales manual the firm touted margin as a way the RRs could increase their compensation. Specifically, in the part of the manual devoted to explaining how RRs get paid by reference to the number of shares traded multiplied by the size of the credits, the manual stated "Let's now take a look at some payout examples. Looking at the examples, you can see how margin, when suitable, can substantially increase your payout." The page that followed was a list of six examples demonstrating how RRs could increase their compensation through using margin because customers could increase their purchasing power by utilizing margin. Centered at the bottom of this page of examples, in capital letters, were the words "THINK BIG!!!" In addition, Olde's standard two-page account opening form included a margin account agreement. Some customers did not realize that they were requesting a margin account when they opened their account at Olde.[14]

(c) Senior Olde Officials Instructed RRs to Make Misleading Statements Regarding the Financial Interest of the Firm and Its RRs in Effecting Transactions

settlement in connection with an automobile accident which disabled her. The couple told the Olde RR who opened their account that they did not have any investment experience and they wanted to invest the net proceeds of the settlement in a mutual fund and a money market account. The Olde RR was aware that the couple wanted to preserve their capital and assured them that their funds would not be put at risk.

During the first month, the couple's RR executed 50 trades utilizing margin. By April 30, 1993, their initial equity had declined from $38,000 to $13,880. Upon receiving their account statement, the couple questioned the RR about the equity summary appearing on the statement. He falsely told them not to worry about it, that it was an error that would be corrected on the following month's statement.

Many of the confirmations the couple received were incorrectly marked unsolicited and the couple was unaware that they were trading on margin until they received their first margin call. The couple was inexperienced and relied on the advice of the RR. From March 23, 1993 through July 30, 1993, while controlling the account, their RR executed more than 200 trades in special venture stocks generating an annualized turnover rate of 103.15.

2. Apopka, Florida Branch Office

In March 1994, a 51-year-old woman opened an account at the Apopka office to invest $200,000 from her divorce settlement. Her only investing experience consisted of one year's investing in mutual funds, and she had no experience buying stock on margin. She told her RR that this was her only money, that she needed safe income investments, that she did not understand the stock market, and that she did not want to invest in common stocks. She also told the RR that her primary objective was to invest in low-risk investments to generate enough income to make monthly mortgage payments on a house she planned to purchase later that year. The RR told her he understood her investment objectives and he drew up a conservative investment plan for her.

Before leaving on an overseas trip in April 1994, the customer instructed the RR not to trade in her account while she was gone and to mail her monthly statements to a friend. Despite this woman's instructions, the RR ignored the investment plan and instead used her money to trade in special venture stocks, which were unsuitable for this customer. When the customer returned to the United States she did not return home, but she called the RR to check on her account balance and told him to transfer $88,000 into the money market fund. Between August and October 1994, the customer and her RR had several conversations during which she inquired about the balance of her account. In those conversations the RR never told the customer that he had not followed the investment plan and he provided her with inflated account balances.

Before the customer returned to Florida, the RR picked up the statements from the customer's friend and mailed them to another address, thereby delaying the customer's receipt of the statements. On October 6, 1994, the customer called Olde to arrange to have $88,000 from her money market fund available for her house closing. The customer spoke to another RR who informed her that her RR had never purchased money market fund shares for her and since March 28, 1994 the RR had been buying and selling

special venture stocks on margin in her account, without her knowledge, consent or authorization.

Between April and October 1994, the RR executed approximately 110 unauthorized trades in the woman's account creating a loss of approximately $70,000. The RR's trading during that period generated an annualized turnover rate of 13.88.

3. Seminole, Florida Branch Office

In April 1993, an 83-year-old woman opened an account at the Seminole office. At that time, the woman's husband was suffering from the late stages of Alzheimer's disease and required almost around-the-clock attention. This elderly woman told the branch office manager about her husband's medical condition and that she and her husband maintained a portfolio of nonvolatile investments, including money market funds, other mutual funds, and blue chip equities. The customer also told the branch office manager that she required safe, high-dividend investments that would yield a steady income. In addition, the woman told the branch office manager that she did not want a margin account.

The branch office manager opened a margin account for this woman and immediately began pressuring her to deposit her blue chip stock certificates. Although she and her husband had always held their stock certificates themselves, she ultimately deposited them into her Olde account. The customer's husband died in June 1993. The account was transferred to Bayonet Point, Florida in August 1993, and another RR took over the handling of this woman's account in September 1993. The RR befriended the customer and won her trust to the extent that she even gave him gifts. Among other things, the customer gave the RR $5,000 because he falsely told her he was an orphan and needed money to find his real mother.

The branch office manager and the RR repeatedly purchased and sold special venture stocks in the customer's account without her prior knowledge, consent or authorization. These stocks were unsuitable for this customer. Between April 1993 and May 1994, the branch office manager and the RR executed 243 trades in the customer's account, generating an annualized turnover rate of 5.09 and a loss of approximately $147,000. Many of the 243 trades were unauthorized and until August or September 1993, the customer was unaware that she was on margin. Once she learned that she was on margin, she repeatedly told the RR to end her margin trading, but her instructions were ignored. In addition to paying over $29,000 in commissions, she incurred over $13,600 in margin interest. At one point, her margin debit balance reached $440,000.

4. Orlando, Florida Branch Office

In the summer of 1993, a retired rabbi and his wife opened an account with the Orlando office because of Olde's advertisements promoting "commission-free" trades. Prior to opening their Olde account, the rabbi and his wife had minimal experience in buying and selling stocks and bonds.

The rabbi and his wife made it clear that they were not speculators. The rabbi instructed the RR to purchase Barclay Bank preferred stock for the

account. Instead, the RR purchased a special venture stock and utilized margin to increase the size of the unauthorized purchase.

The couple was later assigned another RR to handle their account. The rabbi told this RR that he was an inexperienced investor and he wanted income and growth. He also explained to this RR that he had cancer and he intended on funding a memorial foundation with the money invested at Olde. The rabbi told the RR that this money was "God's money" and must be protected. In October, 1993, the new RR persuaded the couple to invest over $500,000 with Olde. Thereafter, the RR recommended numerous purchases and sales of special venture stocks to the rabbi and his wife. Because they did not believe they were qualified to evaluate and question the RR's advice, they routinely followed his recommendations. These stocks were unsuitable for this customer.

The RR told the rabbi and his wife that he did not make any money from the trades. The couple felt so badly about how hard the RR was working for them without compensation, that they occasionally took gifts to the office for him and the other brokers.

Between August 1993 and May 1994, the couple's RR generated an annualized turnover rate of 7.78 in their account. The account suffered losses of approximately $200,000.

5. Orlando, Florida Branch Office

In 1987, a retired General Motors shipping/receiving clerk opened an account at the office in Port Richey. The customer's account was transferred to the Orlando, Florida office of Olde in 1988, when he and his wife moved to that city.

The customer transferred to Olde his Food Lion Inc. ("Food Lion") common stock which he had purchased in the early 1970s. This stock, which appreciated to several hundred thousand dollars, was the primary asset in his account and represented almost all of his net worth. Until September 1993, when a new RR was assigned to handle the account, there was virtually no trading activity in this customer's account. The new RR began aggressively soliciting the customer to make frequent purchases and sales of special venture stocks. The customer routinely followed the RR's recommendations. In addition, the RR made several unauthorized trades in the customer's account.

Between September 1993 and February 1995, the RR's trading generated an annualized turnover rate of 27.16 in this customer's account. The customer also incurred margin interest costs of approximately $12,000.

6. Fort Lauderdale, Florida Branch Office

In February 1993, a married couple opened an account at the Ft. Lauderdale office. The husband, an executive with a travel agency, and the wife, a homemaker, told the branch office manager that they were inexperienced in the stock market. They also told the branch office manager, who was their RR, that they wanted a broker who would preserve their capital and serve their needs in a cautious and conservative manner. Nevertheless, the branch office manager completed the new account

As previously noted, during the relevant period, the cornerstones of Olde's marketing and advertising campaign were its Smart Trade and Smart Trading programs. Under the first program, a customer with at least a $500,000 account can purchase 1,000 or more shares of any security without a commission; under the second program, any customer could purchase 1,000 or more shares of an Olde recommended stock commission free. Senior Olde officials disclosed in response to inquiries by the financial press that the firm, on commission-free trades, could earn revenue by capturing the spread on those securities in which the firm made a market. In addition, pursuant to Rule 10b-10, customer confirmations disclosed that the firm had acted as principal in the customers' transactions and was a market maker in the security.

However, certain senior sales officials instructed the firm's RRs at the outset of the Smart Trade program that if customers asked them how the firm made money they were to say that the firm hoped to make money on other trades or on margin interest, omitting the fact that the firm earned revenue by capturing the spread. Another senior sales official instructed the firm's RRs to disclose that the firm could capture the spread to sophisticated customers who asked but to tell other customers that the firm hoped to make money on other business from the customers. In direct responses to certain customers who asked, some RRs misleadingly failed to disclose that Olde and its RRs profited from the spread.

E. Specific Sales Practice Violations at Olde

Olde's policies, practices and procedures, discussed above, operated in concert to create an environment in which a variety of violative sales practices occurred, exacerbated by the pressure to meet production goals.

The pressure to sell at Olde was overt. A significant number of Olde RRs concentrated their selling efforts on those special venture stocks which carried a high sales credit, a practice known to some within the firm as "credit shopping." RRs who engaged in this practice aggressively solicited their customers to purchase stocks with large sales credits without consideration as to the suitability of such securities for the customers being solicited.

To maximize their compensation, meet production quotas and avoid losing customer accounts through the application of Olde's six-month rule, certain Olde RRs in various branch offices churned customer accounts and engaged in unsuitable and unauthorized trading in customer accounts and utilized high pressure sales techniques accompanied by misrepresentations and omissions of material facts to induce customer transactions in special venture stocks.

The following are examples of fraudulent conduct of Olde RRs employed at branch offices nationwide in the context of specific customer accounts:

1. Clearwater, Florida Branch Office

In March 1993, a married couple opened an account at Olde's Clearwater office. This couple was in their forties and had five children, the oldest of whom suffered from Downs Syndrome. In early 1993, the wife received a

application to reflect that they were aggressive investors who were investing for growth and speculation. The branch office manager told the couple that the account application was just a "formality" and that it was unnecessary to read the document before they signed it.

When the couple opened their account and made their initial $30,000 deposit, they instructed the branch office manager that they were not prepared to make any investments at that time. Nevertheless, the branch office manager immediately began purchasing special venture stocks in the couple's account without authorization. Six weeks later, the husband gave the branch office manager an additional deposit of $6,330, who represented that the account had a cash balance of $36,330. However, the account had no cash balance, and the equity in the account had fallen to less than 50% of the amount that the couple had initially deposited.

Between February and May 1993, the branch office manager executed 35 unauthorized transactions in special venture stocks in this couple's account, frequently utilizing margin to effect trades. The branch office manager's unauthorized trading generated an annualized turnover rate of 41.91. The account suffered losses of more than $25,000.

7. Raleigh, North Carolina Branch Office

In June 1993, an investigator with a North Carolina state agency opened an account at the Raleigh office because of Olde's low commissions. The customer, who had graduated from high school and attended one year of business school, had never invested in securities. The customer only filled out his name and address on the new account form and signed the back. Neither the RR, nor anyone else at Olde, ever asked the customer about his investment experience, what kind of investor he was, or what his investment objectives were. Nevertheless, the customer's new account application indicated that he was an aggressive investor seeking growth and speculation.

After the customer invested $60,000, representing all of his and his father's savings, in Snapple Beverage Corp. stock, the RR pressured the customer to buy special venture stocks. Shortly thereafter, another RR took over the customer's account and called him frequently to urge him to trade special venture stocks.

When the customer told the new RR that he had no more money for investing, the RR recommended purchasing on margin, without explaining the risks associated with margin. Instead, the RR falsely assured the customer that his dividends would offset the interest on the margin account. The customer did not understand that there were additional costs associated with frequent trading, because he thought all of his trades were commission-free. Other than the initial transaction, the RRs solicited all the trades in this customer's account. The customer routinely followed the new RR's advice, telling the new RR that he was depending on him to make the right decisions.

Between June 1993 and December 1994, trading solicited by the account's RR generated an annualized turnover rate of 7.55. The second RR solicited 23 purchases totaling more than $359,000 in the account. The account suffered losses of approximately $45,000.

In October 1993, an employee of another North Carolina state agency opened an account at the Raleigh office. The customer, who graduated from high school and had four years of experience investing in blue chip stocks, had never used margin. The customer told the Olde RR who filled out the new account application that he was a conservative to moderate investor seeking growth. Nevertheless, the RR indicated on the application that the customer's goal was speculation. Seeing the RR check the box marked speculation, the customer objected and insisted that the RR correct the application.

Noticing that the application included a margin agreement, the customer told the RR that he did not want a margin account. The RR assured the customer that he would never have to use margin and told him to sign the application, which he did. Nevertheless, purchases were later made in the customer's account on margin without his knowledge, consent and authorization.

Another RR began handling this customer's account shortly after it was opened. The new RR solicited this customer to buy special venture stocks and convinced him to deposit his blue chip stocks into his Olde account. The RR recommended that the customer make a "quick profit" by buying special venture stocks in advance of earnings reports. The RR frequently telephoned the customer at work, sometimes as often as three times a day, pressuring him to trade special venture stocks.

Although the RR had told the customer that he had sufficient cash in the account, the RR purchased stocks for the customer utilizing margin. Once the customer became aware that the purchase had been made on margin, he made it clear that he intended to pay the debit immediately and get off margin.

During the time that the new RR handled his account, the customer was separated from his wife, was being treated for clinical depression, and was adjusting to the demands of a new job. The customer relied heavily on the RR's advice because of his personal situation. In addition, the customer believed he was unqualified to question the RR's advice, and therefore routinely followed the recommendations. In fact, all but two of the 19 purchases in the customer's account were recommended by the RR.

Between November 1993 and April 1994, the trading solicited by the second RR generated an annualized turnover rate of 8.88 and losses of over $11,000 in the customer's account.

8. Marietta, Georgia Branch Office

In February 1993, an insurance agent opened an account at the office in Marietta to invest $5,600 in a stock that a relative had recommended. This customer was married and the father of four children and his only investment experience consisted of a single stock trade executed two years earlier.

The RR did not ask him about his investment experience or objectives. According to the customer, the new account application overstated the customer's investment experience, annual income and net worth. On the

initial transaction, the RR recommended that the customer use margin to buy twice as much of the stock. Two weeks later, the RR recommended that the customer sell his stock and purchase a special venture stock because a group of Olde customers had joined together to buy a large block of this special venture stock and the group's purchase would cause the price to increase. The RR claimed that the customer had to act within a couple of hours if he wanted to participate. The customer followed the RR's recommendation and the RR aggressively recommended other special venture stocks which the customer routinely followed. Other than the first transaction, all of the customer's trades were based on the RR's advice.

From February through May 1993, the RR executed 10 transactions in the customer's account, thereby generating an annualized turnover rate of 69.72. By May 1993, when the customer closed his account, his equity had fallen to a debit of approximately $39 and he suffered losses of approximately $22,000.

9. Bayonet Point, Florida Branch Office

In September 1993, a 60-year-old homemaker opened an account at the Bayonet Point office. The customer told the RR that she only purchased five stocks in her life, all of which she still held, and that she was unsophisticated in business matters and the handling of money. In addition, she told the RR that she needed income producing investments because she was unable to work with growth as a secondary objective. She also told the RR that she wanted conservative investments because she was afraid of risk, and that she did not want to trade on margin. The RR had this customer sign a blank new account application.

The RR called the customer frequently and convinced her to sell her five stocks and purchase special venture stocks by telling her, "I'll make you a millionaire in two years." She always followed the RR's recommendations. Between September 1993 and April 1994, the RR executed 44 trades in this customer's account, 36 of which were unauthorized. When the woman questioned the RR about the trading, he told her "not to worry."

Between September 1993 and April 1994, the RR generated an annualized turnover rate of 5.67. The account suffered losses of over $12,000 and the RR earned over $2,500 in commissions.

10. Schaumburg, Illinois Branch Office

In 1984, a research engineer opened an account at the office in Schaumburg. This customer made his own investment decisions, trading three to four times per year until 1993 when a RR in the Schaumburg office began aggressively soliciting him to purchase special venture stocks on margin.

The customer routinely followed the RR's recommendations. Even so, the RR effected dozens of unauthorized trades in the customer's account. The first unauthorized trading occurred in March 1994, while the customer was out of town. Despite the customer's insistence that he wanted to be in "the decision making loop," the RR engaged in more unauthorized trading in November 1994. When the customer complained again, the RR indicated that he understood. But, in December 1994 and January 1995, while the

customer was on vacation, the RR executed 30 more unauthorized trades.

Between January 1994 and January 1995, the RR's trading in this customer's account generated an annualized turnover rate of 9.14.

11. Overland Park, Kansas Branch Office

In June 1992, a retired AT&T repairman opened an account at the Olde office in Overland Park to invest $5,000. He told his RR that he had no investment experience, although he owned AT&T shares obtained through his employment, and that he was a moderate investor seeking growth.

The RR began pressuring the customer to deposit his AT&T shares into his Olde account. The customer resisted at first, but ultimately relented on the condition that the AT&T shares never be at risk. Thereafter, the RR called this customer frequently recommending that the customer buy special venture stocks. The RR also recommended that the customer sell the special venture stocks soon after he purchased them to invest in other special venture stocks. Unbeknownst to the customer, the RR was using the customer's AT&T shares as collateral to buy additional special venture stocks on margin.

The customer trusted the RR and routinely relied on his advice. The RR solicited all but two of the 17 purchases in the customer's account. Between October 1993 and June 1994, the RR executed solicited, special venture trades in this retired customer's account which generated an annualized turnover rate of 5.98. The account suffered a $9,000 loss.

12. Phoenix, Arizona Branch Office

In December 1993, a real estate agent opened an account at one of the Phoenix offices. The customer explained to his RR that his only stock purchase to date was a single mutual fund and that he wanted to invest $24,000 which he received from the sale of his house. He wanted to invest this money for nine months, at which time he would need the money to pay for his upcoming wedding and to build a new home with his fiancee. He also told the RR that he was looking for a better return than banks were offering. The RR responded that he averaged a 33% return on his customers' money and that he could make just as much for him if he was willing to follow his advice. The RR told the customer that under the worst-case scenario he would enjoy a 10-15% return on his money.

The Olde RR began frequently calling the customer to recommend margin trades in special venture stocks. The customer routinely followed the RR's recommendations, buying a special venture stock almost every time the RR called him. These stocks were unsuitable for this customer. All but two of the 28 purchases in the customer's account were recommended by the RR.

From December 1993 through May 1994, the RR generated an annualized turnover rate of 39.82 in this customer's account. The customer lost $19,000.

13. Cleveland, Ohio Branch Office

A 38-year-old mother who worked as an assistant treasurer for a manufacturing company opened an account at the office in Cleveland in September 1993. Before opening her account at Olde, she had invested only in blue chip stocks and had never traded on margin. She transferred all her blue chip holdings, worth approximately $55,000, into her Olde account. The customer explained to her RR that she was a conservative investor who preferred a "buy and hold" strategy, and that by transferring to Olde she was only looking for a way to reduce the commissions she would pay if she sold her blue chip stocks.

The RR suggested that the customer could make more money if she were more aggressive. In addition, he told her that customers who had followed his recommendations had averaged a 30% return on their investments in the previous year. This representation was, however, not true. Nevertheless, the RR told the customer that she could make as much if she would follow his recommendations.

The RR began frequently telephoning the customer, sometimes making several calls a day, and pressuring her to make margin purchases in special venture stocks. The RR convinced her to sell her blue chip holdings.

To persuade this customer to trade special venture stocks frequently and on margin, the RR told the customer that he was an expert. The customer had never heard of most of the stocks the RR was recommending. On several occasions when she requested written information on the issuers, the RR responded that there was not enough time to send written information, and that if the customer waited she would miss an opportunity. There were several times when the RR had the customer in and out of a special venture stock in one day, and often, when a special venture stock declined in value, the RR told the customer she needed to recoup her loss by selling that stock, and purchasing another special venture stock instead.

Eventually, the customer's account was heavily margined. In addition, the RR persuaded the customer to borrow money on her home equity credit line to pay for additional purchases of special venture stocks. The customer repeatedly expressed discomfort with both the frequency of the trading and the level of margin maintained, but the RR invariably responded that the customer should "trust him."

Between October 1993 and April 1994, the RR generated an annualized turnover rate of 10.05. The account lost approximately $49,000.

14. Wilmington, Delaware Branch Office

In February 1993, a 63-year-old retiree opened an account at the Wilmington office to invest $46,000 of his wife's inheritance. The customer had no previous investment experience, except in connection with his employer's retirement plan. Although the customer told the RR he was a conservative investor, the RR indicated on the new account application that the customer was both moderate and conservative.

The RR frequently called the customer recommending that he purchase special venture stocks on margin. The customer, being inexperienced in investing and considering himself unqualified to question the RR's

recommendations, always followed the RR's suggestions. These stocks were unsuitable for this customer.

During the period from February 1993 through November 1994, the RR generated an annualized turnover rate of 4.27 in the customer's account. During that same time period, the account lost approximately $42,800 or 93% of the customer's initial investment.

15. Minnetonka, Minnesota Branch Office

In 1991, a high school graduate who worked as a gas line installer, repairer and locator opened an account with the Minneapolis office. The customer told the Olde RR who opened the account that he had no investment experience and he was a conservative investor seeking income. The RR filled out the customer's new account application stating that the customer was a conservative investor with income as his investment objective. However, for reasons unknown to the customer, the RR also wrote "occasional speculation."

Shortly after the account was opened, it was transferred to a newly-opened Olde branch office in Minnetonka, Minnesota and the branch office manager and another RR jointly serviced the account. The customer trusted Olde, the branch office manager and the RR to make appropriate investment decisions for him because he lacked investment experience.

Other than the first purchase, the branch office manager and the RR solicited all of the trades in the customer's account. When one of them would recommend special venture stocks, the customer would ask how much money was needed and they would either tell him that he had sufficient funds in his account or that he needed to make additional deposits. The customer routinely followed their recommendations to trade in special venture stocks. These stocks were unsuitable for this customer. Without the customer's prior knowledge, consent or authorization, the branch office manager and the RR used margin to effect purchases in the customer's account.

Between October 1993 and March 1994, the branch office manager and the RR generated an annualized turnover rate of 8.13 in this customer's account and more than $26,000 in losses.

16. Bloomfield Hills, Michigan Branch Office

In October 1992, a professional tennis instructor opened an account with the Bloomfield Hills office to invest the proceeds of a personal injury claim. Prior to opening his account, the customer had almost no investment experience for lack of money. The customer had attended but did not graduate from college. The customer told the RR who opened the account that he wanted safe investments that would secure his retirement. He specifically told the RR that he did not want to speculate.

The RR called the customer frequently to recommend that he trade special venture stocks. Even before the customer received his settlement, the RR pressured him to invest by convincing him to borrow cash against his credit cards. Despite substantial losses in the account, the RR frequently reassured the customer that his investments were doing well and told him

to place his trust in the RR's abilities.

Between October 1992 and April 1993, the RR, who is now the branch office manager of another Olde office, solicited almost every trade in this customer's account and generated an annualized turnover rate of 30.28. The account lost approximately $55,000.

17. Warren, Michigan Branch Office

In October 1993, a 47-year-old social worker with no experience in the stock market opened an account at the Warren office. She intended to invest her savings of $3,000 in a cash account because she wanted to earn more than the 2% her credit union was paying.

The branch office manager was her RR. Although the customer told the branch office manager that she was a single parent working two jobs just to make ends meet, the branch office manager completed her new account application picking "moderate" for her risk level and "growth" and "speculation" for her goals. Just days after opening her cash account, the branch office manager called and convinced the customer to trade on margin, explaining it as simply "using Olde's money to make money." Further, the branch office manager convinced this customer to withdraw $10,000 from her IRA to invest in special venture stocks by telling her that she had 60 days to "play around with" her money, and that after one positive move they could roll it right back into her IRA. This money was never rolled back into her IRA. These stocks were unsuitable for this customer.

All of the transactions in her account were solicited. She trusted the branch office manager and relied extensively on his investment advice telling him that he was the expert. The customer followed the branch office manager's recommendations on all purchases and sales in her account. From October 1993 to December 1994, the customer received 21 margin calls and ultimately lost her entire life savings of approximately $20,000. During this period, the RR generated an annualized turnover rate of 12.35.

IV.

Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder prohibit the use of fraudulent practices in connection with the offer, purchase, or sale of securities. Section 15(c)(1) of the Exchange Act and Rule 15c1-2 thereunder prohibit brokers and dealers from engaging in fraudulent conduct in effecting transactions in securities or in inducing or attempting to induce the purchase or sale of securities. Among other things, those provisions make it unlawful to employ any device, scheme or artifice to defraud.

A. Churning

Churning is a manipulative or deceptive device within the meaning of the antifraud provisions. *Hotmar v. Lowell H. Listrom & Co., Inc.*, 808 F.2d 1384, 1385 (10th Cir. 1987); *Mihara v. Dean Witter & Co., Inc.*, 619 F.2d 814, 821 (9th Cir. 1980). Churning consists of three elements: (1) excessive trading in a customer account, (2) control by the RR over the account, and (3) scienter on the part of the RR. *Mihara*, 619 F.2d at 821;

Craighead v. E.F. Hutton & Co., Inc., 899 F.2d 485, 489 (6th Cir. 1990).

As to the first element, excessive trading, the turnover rates reflected in the accounts of the customers described above ranged up to 103.15. These accounts were excessively traded under the circumstances. *See, In re R.H. Johnson & Co.*, 36 S.E.C. 467, 469-80, 485 (1955). For the second element, Olde exercised *de facto* control over the accounts described above in that the customers were, for the most part, unsophisticated and deferred to their RRs totally for investment decisions. Moreover, in several of the accounts, the RR engaged in unauthorized trading. "(T)he courts will often interpret this as a serious usurpation of control by the broker." *M & B Contracting Corporation v. Dale, et al.*, 601 F. Supp. 1106, 1111 (E.D. Mich. 1984), *quoting Leib v. Merrill, Lynch, Pierce, Fenner & Smith, Inc.*, 461 F. Supp 951 (E.D. Mich. 1978), *aff'd mem.*, 647 F.2d 165 (6th Cir. 1981). In fact, unauthorized trading presents clear evidence of control. Finally, as to scienter, the misconduct discussed above grew out of the environment created by the compensation, production and training practices of Olde. Those practices created an environment in which certain RRs made recommendations for their own benefit and not that of their customers. Such trading, for the benefit of the RR, necessarily involves a "reckless disregard for the client's stated interests." *See Mihara*, 619 F.2d at 814.

B. Unauthorized Trading

The unauthorized trading which occurred in the customer accounts described above in section E.2, 3, 4, 5, 6, 9 and 10 constituted distinct violations of Sections 10(b) and 15(c)(1) and Rules 10b-5 and 15c1-2. In addition, the unauthorized trades demonstrated the firm's control over the accounts. In executing these trades, Olde RRs deliberately did not seek their customers' approval.

C. Suitability

Making unsuitable recommendations to customers without disclosing the unsuitability of those solicited investments, in breach of an affirmative duty to disclose arising from a fiduciary or similar relationship of trust and confidence, violated Sections 10(b) and 15(c)(1) of the Exchange Act and Rules 10b-5 and 15c1-2. *See National Union Fire Ins. Co. v. Woodhead*, 917 F.2d 752, 757 (2d Cir. 1990); *City of San Jose v. Paine, Webber, Jackson & Curtis, Inc.*, 1991 WL 352485 at *2 (N.D. Cal. 1991); *see also Brown v. E. F. Hutton Group, Inc.*, 991 F.2d 1020, 1031 (2d. Cir. 1993).

The Olde customers described above in section E.2, 3, 4, 12, 14, 15 and 17, ended up with portfolios consisting primarily of those special venture stocks that were more speculative issues. With respect to such investors, with conservative investment needs and objectives, concentrating most or all of their assets in such special venture stocks was not suitable.[15]

Olde RRs did not disclose this unsuitability to any of the customers in question. As is discussed in more detail above, the RRs exercised strong influence and *de facto* control over some of these accounts. As a result, Olde, through its RRs, stood in a fiduciary or similar relationship of trust and confidence with these customers. From that relationship, there arose an affirmative duty to disclose the unsuitable nature of recommendations made to the customers. *See Davis v. Merrill Lynch, Pierce, Fenner & Smith,*

Inc., 906 F.2d 1206, 1214-17 (8th Cir. 1990); *Gochnauer v. A.G. Edwards & Sons, Inc.*, 810 F.2d 1042, 1048-49 (11th Cir. 1987); *Baker v. Wheat First Securities*, 643 F. Supp. 1420, 1428-29 (S.D. W.Va. 1986). Olde acted with scienter, in the form of a reckless disregard for the suitability of investment recommendations made by its RRs to the firm's customers, by focusing the firm's training primarily on aggressive sales techniques. Snider and Katzman participated in and conducted such training. Olde's compensation system encouraged its sales force to sell special venture stocks to their customers and some of the firm's RRs favored those special venture stocks which paid higher sales credits--that is, the special venture stocks with larger spreads which correspondingly were more likely to be speculative – without making appropriate suitability determinations.

D. Misrepresentations and Omissions

In addition to prohibiting schemes and artifices to defraud, the antifraud provisions proscribe making material misrepresentations and omitting to state material facts, "necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading." Olde RRs made numerous misrepresentations to many of the customers described above. For example, some Olde RRs often failed to disclose their use of margin to effect purchases in customer accounts. In addition, some RRs misleadingly failed to disclose in response to questions from certain customers that Olde and its RRs profited from the spread. *See SEC v. Hasho*, 784 F. Supp. at 1059; *Chasins v. Smith Barney & Co.*, 438 F.2d 1167, 1172 (2d Cir. 1970).[16] The RRs, knowing the undisclosed facts, clearly acted with scienter.

E. The Respondents' Liability

Olde is primarily liable for the violations of the antifraud provisions discussed above because such violations occurred in an environment created by Olde's compensation, production, hiring and training policies. *See In re Haight & Company, Inc.*, 44 S.E.C.

481 (1971); *SEC v. First Jersey Securities, Inc.*, 890 F. Supp. 1185 (S.D.N.Y. 1995). The conduct of the firm described in this Order satisfies the Supreme Court's definition of scienter in *Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 193 n.12 (1976).

Snider and Katzman implemented Olde's policies and induced certain of the violations because they acted, at a minimum, recklessly in failing to respond adequately to certain problems brought to their attention that could be expected to and did occur given these policies.[17] Snider and Katzman were each a cause of certain of Olde's violations due to the foregoing conduct which they knew or should have known would contribute to such violations. E. Olde failed reasonably to supervise with a view to preventing such violations because he formulated and oversaw the adoption of most of these policies; such policies made it difficult to establish procedures and a system for applying such procedures which could have prevented the violations. E. Olde was a cause of Olde's violations due to the foregoing conduct which he knew or should have known would contribute to such violations.

V.

On the basis of this Order and the Offers of Settlement submitted by the Respondents, the Commission finds that: (a) Olde willfully violated Section 17(a) of the Securities Act and Sections 10(b) and 15(c)(1) of the Exchange Act and Rules 10b-5 and 15c1-2 thereunder; (b) Snider and Katzman (i) willfully induced certain violations of such antifraud provisions, and (ii) were each a cause of certain of Olde's violations; and (c) E. Olde (i) failed reasonably to supervise with a view of preventing violations of such antifraud provisions, and (ii) was a cause of Olde's violations.

VI.

In view of the foregoing, it is appropriate and in the public interest to impose the sanctions specified in the Respondents' Offers of Settlement.

ACCORDINGLY, IT IS ORDERED that:

A. As to Olde:

1. Olde be and hereby is censured pursuant to Section 15(b)(4) of the Exchange Act;

2. Olde cease and desist from committing or causing any violations and any future violation of Section 17(a) of the Securities Act, Sections 10(b) and 15(c)(1) of the Exchange Act and Rules 10b-5 and 15c1-2 thereunder, pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act;

3. Olde shall, within 10 days of the entry of this Order, pay a civil penalty in the amount of $4 million to the United States Treasury. Such payment shall be: (a) made by United States postal money order, certified check, bank cashier's check or bank money order; (b) made payable to the Securities and Exchange Commission; (c) hand delivered or mailed to the Comptroller, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22313; and (d) submitted under cover letter that identifies Olde as a Respondent in these proceedings and the file number of these proceedings, a copy of such cover letter and money order or check shall be sent to Richard P. Wessel, District Administrator, Securities and Exchange Commission, Atlanta District Office, 3475 Lenox Road, N.E., Suite 1000, Atlanta, Georgia, 30326; and

4. Olde comply with its undertakings to:

a. retain within thirty (30) days of the date of this Order, at Olde's expense, an Independent Consultant ("Consultant"), not unacceptable to the Commission's staff who shall, among other things:

(1) conduct a comprehensive review of Olde's policies and procedures with respect to:

i) the compensation of RRs, branch managers, district managers and regional managers, including but not limited to, the manner in which the firm communicates the existence and amount of sales credits, if any, to RRs;

ii) the imposition of product specific sales quotas;

iii) practices used to sell securities to customers;

iv) the hiring and training of employees, including but not limited to:

(A) whether to extend the period of training for inexperienced RRs; and

(B) whether to broaden the program of continuing education for RRs and managers;

v) the compliance systems and procedures for the supervision of RRs, branch managers, district managers and regional managers;

vi) whether branch managers, district managers and regional managers must meet the same production quotas as RRs;

vii) whether customers must effect transactions in particular types of securities within a specified time period; and

viii) whether to disclose to customers different RR compensation schedules, if any, used for transactions in securities from different product families;

(2) recommend such other policies or procedures (or amendments to existing policies and procedures) as are necessary and appropriate reasonably to prevent and detect violations of the federal securities laws; and

(3) prepare a written report of his or her findings and recommendations ("report") within six (6) months of the entry of this Order. Olde shall be provided a reasonable opportunity to comment on the Consultant's report;

b. adopt and implement, no later than sixty (60) days after receipt of the report (or such other time as the Consultant believes is necessary), at Olde's expense, such policies and procedures as recommended by the Consultant; provided, however, that as to any of the Consultant's recommendations that Olde determines is unduly burdensome and impractical, Olde may propose an alternative procedure reasonably designed to accomplish the same objectives. The Consultant shall reasonably evaluate such alternative procedure and, if appropriate, either approve the alternative procedure or amend the recommendation. If the Consultant does approve an alternative procedure or amends a recommendation, the Consultant shall prepare a written report which identifies such alternative procedure or amended recommendation and sets forth the Consultant's reasons for his or her decision ("supplemental report") within twenty (20) days of such decision. Olde shall abide by the decision of the Consultant and adopt and implement the alternative procedure or amended recommendation within the time period set by the Consultant in light of the nature of procedures;

c. authorize the Consultant to provide copies of the report to the Commission's Atlanta District Office within six (6) months of the entry of this Order;

d. authorize the Consultant to provide copies of the supplemental report, if any, to the Commission's Atlanta District Office within ten (10) days of the date of the supplemental report's preparation;

e. cooperate fully and cause its affiliates to cooperate fully with the Consultant, including obtaining the cooperation of Olde employees or other persons under its control;

f. require the Consultant to enter into an agreement, providing that: (1) for the period of the engagement and for a period of two (2) years from the completion of the engagement, the Consultant shall not enter into any employment, consulting, or other professional relationship, including attorney-client, with Olde, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such; and (2) any firm with which the Consultant is affiliated or of which he or she is a member, and any person engaged to assist the Consultant in performance of his or her duties under this Order shall not, without prior written consent of the Commission, enter into any employment, consulting or other professional relationship with Olde, or any of its present or former directors, officers, employees, or agents in their capacity as such for the period of the engagement and for a period of two (2) years after the engagement;

g. retain, at Olde's expense, for a period of at least five (5) years after the effective date of this Order, an Independent Review Person ("Review Person"), not unacceptable to the Commission's staff, with experience in broker-dealer compliance matters. Within six months after the Consultant provides copies of the report as set forth in subparagraph c above, such Review Person shall conduct a review of (1) Olde's policies relating to the achievement of compliance with applicable federal securities laws and the rules and regulations of all self-regulatory organizations of which Olde is a member ("applicable rules and regulations"); (2) Olde's implementation of policies and procedures adopted as a result of the Consultant's recommendations described in subparagraph b above; and (3) Olde's efforts to detect, correct and prevent failures to comply with applicable rules and regulations. After the first review, such reviews shall be conducted annually for the following three years. A final review shall be conducted 18 months after the last annual review. Within thirty (30) days of the completion of each review, the Review Person (1) shall prepare and deliver to Olde, its highest ranking officials, and the staff of the Atlanta District Office, a written report with respect to the findings of such review, including any deficiencies in supervision and controls identified at Olde, and (2) shall prepare and deliver to Olde and its highest ranking officials a written report containing a summary of all government or SRO investigations of Olde or its employees; internal disciplinary actions; employee terminations for cause; pending customer suits and litigation or arbitration; and sales practice complaints, for the period under review; and

h. waive applicable statutes of limitation defenses, but not equitable defenses, in any arbitration proceeding filed within 180 days after the date of this Order by a present or former Olde customer who (1) purchased a "special venture" security from September 1, 1992 to August 31, 1995, and (2) with respect to that purchase, claims that his or her account was churned or subjected to unauthorized or unsuitable trading or that an Olde employee misrepresented or omitted to state a material fact concerning (i)

the "special venture" security that was purchased, (ii) the use of margin, or (iii) the compensation or revenue anticipated or derived by Olde and its RRs from the purchases and sales of "special venture" securities, and (3) has not already instituted an arbitration or filed a claim against Olde or has not otherwise reached a resolution of such claim with Olde; and

B. As to E. Olde:

1. E. Olde be, and hereby is, suspended from association with any broker, dealer, municipal securities dealer, investment adviser or investment company for a period of 12 months, effective on the second Monday following the entry of this Order;

2. E. Olde cease and desist from committing or causing any violations and any future violation of Section 17(a) of the Securities Act, Sections 10(b) and 15(c)(1) of the Exchange Act and Rules 10b-5 and 15c1-2 thereunder, pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act;

3. E. Olde shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of $1 million to the United States Treasury. Such payment shall be: (a) made by United States postal money order, certified check, bank cashier's check or bank money order; (b) made payable to the Securities and Exchange Commission; (c) hand delivered or mailed to the Comptroller, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (d) submitted under cover letter that identifies E. Olde as a Respondent in these proceedings and the file number of these proceedings, a copy of such cover letter and money order or check shall be sent to Richard P. Wessel, District Administrator, Securities and Exchange Commission, Atlanta District Office, 3475 Lenox Road, N.E., Suite 1000, Atlanta, Georgia, 30326; and

4. E. Olde shall provide to the Commission, within 10 days after the end of the 12 month suspension period described above, an affidavit that he has complied fully with the sanctions described in subparagraph 1 above.

C. As to Snider:

1. Snider be, and hereby is, barred from association with any broker, dealer, municipal securities dealer, investment adviser or investment company, with the right to reapply for association after five (5) years in a non-supervisory capacity to the appropriate self-regulatory organization, or if there is none, to the Commission;

2. Snider cease and desist from committing or causing any violations and any future violation of Section 17(a) of the Securities Act, Sections 10(b) and 15(c)(1) of the Exchange Act and Rules 10b-5 and 15c1-2 thereunder, pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act; and

3. Snider shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of $100,000.00 to the United States Treasury. Such payment shall be: (a) made by United States postal money order, certified check, bank cashier's check or bank money order; (b) made payable to the Securities and Exchange Commission; (c) hand delivered or mailed to the

Comptroller, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (d) submitted under cover letter that identifies Snider as a Respondent in these proceedings and the file number of these proceedings, a copy of such cover letter and money order or check shall be sent to Richard P. Wessel, District Administrator, Securities and Exchange Commission, Atlanta District Office, 3475 Lenox Road, N.E., Suite 1000, Atlanta, Georgia, 30326; and

D. As to Katzman:

1. Katzman be, and hereby is, barred from association with any broker, dealer, municipal securities dealer, investment adviser or investment company, with the right to reapply for association after five (5) years in a non-supervisory capacity to the appropriate self-regulatory organization, or if there is none, to the Commission;

2. Katzman cease and desist from committing or causing any violations and any future violation of Section 17(a) of the Securities Act, Sections 10(b) and 15(c)(1) of the Exchange Act and Rules 10b-5 and 15c1-2 thereunder, pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act; and

3. Katzman shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of $50,000.00 to the United States Treasury. Such payment shall be: (a) made by United States postal money order, certified check, bank cashier's check or bank money order; (b) made payable to the Securities and Exchange Commission; (c) hand delivered or mailed to the Comptroller, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (d) submitted under cover letter that identifies Katzman as a Respondent in these proceedings and the file number of these proceedings, a copy of such cover letter and money order or check shall be sent to Richard P. Wessel, District Administrator, Securities and Exchange Commission, Atlanta District Office, 3475 Lenox Road, N.E., Suite 1000, Atlanta, Georgia, 30326.

By the Commission.

Jonathan G. Katz

Secretary

Footnotes

1 The findings herein are made pursuant to the Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

2 Olde was formerly known as Olde & Co. and Financial Management & Research Corp.

3 Olde recommended other securities as well, including bonds and mutual funds. The firm refers collectively to all the securities it recommends as "special

products," which include stocks, investment grade fixed income securities, mutual funds, preferred stock, and unit investment trusts. During the relevant period, the firm referred to stocks followed by Olde's research department and published on a specific recommended list as "special venture" stocks. The majority of trades solicited by Olde RRs were stock trades.

4 The sales credit assigned to a particular special venture stock came from the spread on that stock.

5 In Olde parlance, "agency trades" are all trades not involving a special product.

6 During the relevant period, an RR received 0% payout on monthly gross commissions of less than $5,000. Olde intended the RRs' monthly salaries to compensate them for servicing agency trades at this level.

7 While RRs at other full-service firms are also compensated based on a percentage of the monthly gross they generate, trades in all securities generally contribute to that total monthly figure, even if the RRs' payout varies for different products. In contrast, Olde's compensation system, which emphasized the sale of special products in the calculation of monthly gross, heightened the potential conflict of interest between the RR and his or her customers.

8 The securities industry practice of paying differential compensation by product or source of product recently has been the subject of extensive study by industry commentators.

9 Olde viewed sales of these fixed income and mutual fund products as a way to accumulate more of a customer's assets.

10 Those RRs who exceeded the quotas required to maintain commission privileges could achieve "superbroker" status within Olde and qualify for sales assistants. An RR could attain that title and receive one assistant by grossing $15,000 in special products for three consecutive months and averaging a minimum net gain in special venture moneyline market value of $400,000 per month. The superbroker qualified for a second assistant when he and his assistant reached $30,000 in monthly special products gross, and qualified for three and four assistants at $45,000 and $60,000 in monthly special products gross, respectively. New branch office managers were selected from among the ranks of the superbrokers. While the typical Olde branch office is small, elevation to management did not bring with it a reduction in the sales production expected of the new manager, whose sales production continued undiminished while he was expected to perform the added supervisory responsibilities of a branch office manager. Above the branch office manager level, district managers were also required to continue selling, as were the regional managers above them. The practice of requiring managers to meet the production quotas, rather than encouraging appropriate supervision, contributed to sales practice abuses in some cases.

11 "Special venture moneyline market value" was the aggregate value of all special venture stock in the RR's customers' accounts.

12 Because the sales credit for a particular special venture stock came from the spread, a larger credit would not increase the price a customer paid for that stock.

13 Several of the objection responses from the script call for the RR to say, "the stock is going up" or "the stock is going higher." When one RR expressed concern to Snider that those responses amounted to improper guarantees of future performance, Snider responded, "You worry about yourself, let me worry about my company."

14 The new account forms were sent to firm headquarters where they were reviewed by the compliance department for, among other things, approval for margin authorization.

15 This is not to say that all special venture stocks are inherently bad investments or that they are unsuitable or speculative per se . Rather, it would rarely be suitable for a conservative, unsophisticated investor's portfolio to consist primarily of those special venture stocks that were more speculative issues.

primarily of those special venture stocks that were more speculative issues. Nevertheless, this is precisely what happened to some of the customers' portfolios described above.

16 This Order does not address facts and circumstances in other contexts not addressed in this Order in which disclosure of sources of profit to the broker-dealer or the salesperson may be required. This Order only addresses the disclosure obligation of a broker-dealer or a salesperson who undertakes to explain how the firm or the salesperson makes money. In such circumstances, the explanation must be accurate, complete and without material omissions. See In the Matter of Carnation Company , 33 SEC Docket 1013, 1031 n.6, 1032 (July 8, 1985).

17 Scienter may be established by a showing of knowing misconduct or severe recklessness. E.g. , SEC v. Carriba Air, Inc. , 681 F.2d 1318, 1324 (11th Cir. 1982); SEC v. Electronics Warehouse, Inc. , 689 F. Supp. 53, 59 (D.Conn. 1988), aff'd , 891 F.2d 457 (2d Cir. 1989), cert. denied sub nom . Calvo v. SEC , 496 U.S. 942 (1990).

http://www.sec.gov/litigation/admin/337577.htm