

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

SCOTT H. WEISSMAN
(CRD No. 2664118),

Respondent.

Disciplinary Proceeding
No. 2005001067201

DEFAULT DECISION

Hearing Officer – SW

Dated: February 4, 2008

Respondent is barred from associating with any member firm in any capacity for: (1) converting to his own use and benefit \$30,000 from customer RB's securities account, in violation of NASD Conduct Rules 2330(a) and 2110; (2) making an unauthorized purchase of 8,000 shares of CC.Net common stock in the joint account of customers WP and NP, in violation of NASD Conduct Rule 2110; and (3) offering and selling 1,521,030 unregistered shares of CC.Net common stock to 35 customers, in violation of NASD Conduct Rule 2110.

Appearances

Mark J. Fernandez, Esq., Senior Regional Attorney, New Orleans, LA, for
the Department of Enforcement.

No appearance by or for Scott H. Weissman.

DECISION

I. Introduction

On September 6, 2007, the FINRA Department of Enforcement ("Enforcement") filed the attached three-count Complaint against Respondent Scott H. Weissman ("Respondent"). The first count of the Complaint alleges that, while associated with FINRA member firm Cardinal Capital Management, Inc. ("Cardinal"), Respondent

violated NASD Conduct Rules 2330(a) and 2110 by converting to his own use and benefit \$30,000 from the securities account of his customer RB, without RB's knowledge or consent. The second count of the Complaint alleges that Respondent violated NASD Conduct Rule 2110 by executing a purchase of 8,000 shares of CC.Net common stock for \$8,000 in the joint account of customers WP and NP, without their knowledge or consent. The third count of the Complaint alleges that Respondent violated NASD Conduct Rule 2110 by offering and selling 1,521,030 shares of CC.Net common stock to 35 customers, during the period from December 31, 2002 to March 15, 2005, when no registration statement for the stock was filed or in effect with the Securities and Exchange Commission in contravention of Section 5 of the Securities Act of 1933 ("Securities Act").

On December 3, 2007, Enforcement filed a Motion for Entry of Default Decision ("Motion"), supported by the Declaration of Mark J. Fernandez, Esq., Senior Regional Attorney in FINRA's New Orleans, LA office, and 11 exhibits.¹ For the reasons set forth below, the Hearing Officer grants Enforcement's Motion.

II. Respondent's Default

On September 6, 2007, Enforcement served the Complaint and Notice of Complaint on Respondent, via certified mail, at his last known residential address shown in the Central Registration Depository ("CRD address") and at an alternate address.² (DX-4, p. 2; DX-5, p. 14; DECL at ¶ 23).

¹ Hereinafter, the statements in the Motion will be designated as "Motion, p."; statements in the Fernandez Declaration will be designated as "DECL at ¶"; and Enforcement's exhibits will be designated as "DX-" with the appropriate page or paragraph number.

² Respondent's CRD address is [REDACTED] 33131. (DX-1, p. 1). The FINRA staff obtained the alternate address [REDACTED] from Respondent's June 6, 2006 written response to a FINRA request for information. (DECL at ¶ 23).

On October 8, 2007, Enforcement served the Complaint and Second Notice of Complaint, via certified mail, on Respondent at his CRD address and the alternate address. (DX-8, p. 2; DX-9, p. 2; DECL at ¶ 25). Enforcement received a receipt, signed by Respondent, for the mailing sent to the alternate address. (DX-11; DECL at ¶ 25). Respondent did not file an Answer to the allegations of the Complaint. (DECL at ¶¶ 24, 26).

Based on the signed receipt, the Hearing Officer finds that Respondent received actual notice of this proceeding. (DX-11). In any event, the Hearing Officer finds that Enforcement complied with NASD Procedural Rule 9134(b)(1) by sending the mailings to Respondent's CRD address and the alternate address.³ Accordingly, the Hearing Officer finds that Respondent defaulted by failing to answer the Complaint.⁴

III. Findings of Fact and Conclusions of Law

A. Jurisdiction

Respondent was registered with Cardinal as a general securities representative from April 14, 2004 to January 11, 2005. (DX-1, p. 5). From July 28, 2005 to September 26, 2005, Respondent was registered with Salomon Grey Financial Corporation ("Salomon Grey") as a general securities representative. (DX-1, p. 3). Respondent has not been associated with any FINRA member since September 26, 2005. (DX-1, p. 2; DX-2; DECL at ¶ 7). However, Respondent remains subject to FINRA jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of the NASD By-Laws, because (1) the Complaint was filed within two years after Respondent's association with

³ See *Dep't of Enforcement v. Verdiner*, No. CAF020004, 2003 NASD Discip. LEXIS 42, at * 5 n.1 (NAC Dec. 9, 2003) (finding that respondent received constructive notice when complaint was mailed to respondent's CRD address).

⁴ The following Findings of Fact and Conclusions of Law incorporate the allegations in the attached Complaint, pursuant to Rule 9215(f) and *NASD Notice to Members* 99-77.

Salomon Grey was terminated, and (2) the Complaint charges Respondent with misconduct while he was associated with Cardinal.

B. Respondent Converted the Funds of Customer RB

The first cause of the Complaint alleges that Respondent serviced the securities account of customer RB, and that in December 2004, Respondent engaged in conversion, in violation of NASD Conduct Rules 2330(a) and 2110. (Complaint at ¶¶ 5-12).

Specifically, the Complaint alleges that Respondent: (i) prepared a wire transfer form to transfer \$30,000 from RB's securities account to the bank account of Topline Capital Ventures ("Topline"), a California-based movie production company, for which Respondent was the president; (ii) signed the wire transfer form; (iii) had his uncle sign the wire transfer form above customer RB's printed name; (iv) faxed the wire transfer form to Cardinal's clearing firm, North American Clearing ("North American"); and (v) transferred \$30,000 from RB's Cardinal securities account to Topline's bank account pursuant to the wire transfer form on December 23, 2004. (Complaint at ¶¶ 7-12; DECL at ¶¶ 9-10).

When customer RB discovered the transfer in March 2005 and questioned Respondent, Respondent first stated that he was unaware of the transfer. (Complaint at ¶ 10). Several weeks later, on May 27, 2005, Respondent wrote RB that the transfer had been a mistake but that he was unable to return the funds because Topline had spent the funds. (Complaint at ¶ 11). On August 19, 2005, customer RB received a \$14,000 wire transfer from Topline as partial reimbursement. (Complaint at ¶ 12). RB has received no further repayments from Respondent.⁵ (*Id.*).

⁵ RB must be paid an additional \$16,000 in order to recoup \$30,000, the total amount that was converted.

Under Rule 9215(f) and Notice to Members 99-77, the allegations of the first cause of the Complaint are deemed admitted and they are hereby incorporated in this Default Decision as findings of fact.

In addition to the allegations of the Complaint, Enforcement provided the information that in written responses to FINRA, Respondent admitted that: (i) he was the president of Topline; (ii) he signed and submitted the wire instruction form to North American directing that \$30,000 be transferred from RB's account to Topline's Bank of America checking account; (iii) RB did not authorize the wire transfer; (iv) RB's funds were used to fund a Topline movie production project; and (v) RB had been repaid only \$14,000 of the \$30,000 that was removed from his account. (DECL at ¶ 10(E)).

Conversion generally is an intentional and unauthorized taking of and/or exercise of ownership over property by one who neither owns the property nor is entitled to possess it.⁶

The allegations in the first cause of the Complaint and the evidence submitted by Enforcement are sufficient to establish that Respondent converted to his own use and benefit \$30,000 belonging to customer RB.

Accordingly, the Hearing Officer finds that Respondent violated NASD Conduct Rules 2330(a) and 2110 by withdrawing \$30,000 from customer RB's Cardinal securities account, as alleged in count one of the Complaint.

C. Respondent Executed an Unauthorized Transaction in the Joint Account of Customers WP and NP

The second cause of the Complaint alleges that Respondent executed an unauthorized transaction in the joint account of customers WP and NP, without their

⁶ *FINRA Sanction Guidelines*, p. 38 n.2 (2007), available at <http://www.finra.org/web/groups/enforcement/documents/enforcement/p011038.pdf>.

knowledge or consent. (Complaint at ¶¶ 15-18). Specifically, the Complaint alleges that, on January 5, 2005, despite WP having told Respondent he was not interested in purchasing shares of CC.Net common stock, Respondent faxed a wire instruction form to North American authorizing the transfer of \$8,000 from the joint Cardinal securities account of WP and NP to the bank account of CC.Net to purchase 8,000 shares of CC.Net common stock. (Complaint at ¶¶ 17-18). When customer WP contacted Respondent for an explanation of the 8,000 shares of CC.Net common stock in his account, Respondent advised WP that the transaction was a mistake and he would take care of it. (Complaint at ¶ 20). Despite repeated demands by WP, the unauthorized transaction was not reversed, and the funds were not returned to WP and NP. (Complaint at ¶ 21).

Under Rule 9215(f) and Notice to Members 99-77, the allegations of the second cause of the Complaint are deemed admitted and they are hereby incorporated in this Default Decision as findings of fact.

In addition to the allegations of the Complaint, Enforcement provided the information that customers WP and NP signed a sworn declaration that: (i) they did not authorize Respondent to purchase CC.Net stock for them; (ii) their signatures on the wire transfer instruction form that Respondent submitted to North American to initiate the wire transfer were not genuine; (iii) they did not authorize Respondent or anyone to sign their names on any document; and (iv) despite their repeated demands to reverse the transaction, Respondent failed to reverse the unauthorized stock purchase and return the \$8,000 taken from their account. (DECL at ¶ 14(A)).

According to IM-2310-2(b)(4)(A)(iii), unauthorized trading is “[c]ausing the execution of transactions which are unauthorized by customers or the sending of

confirmations in order to cause customers to accept transactions not actually agreed upon.” The Securities and Exchange Commission has affirmed that unauthorized trading in a customer’s account is a violation of Conduct Rule 2110’s requirement to observe just and equitable principles of trade.⁷

Based on the allegations deemed admitted, the Hearing Officer finds that Respondent executed an unauthorized purchase in the joint accounts of customers WP and NP, without their knowledge or prior authorization, in violation of NASD Conduct Rule 2110, as alleged in count two of the Complaint.

D. Respondent Offered and Sold Unregistered Securities

The third cause of the Complaint alleges that Respondent violated NASD Conduct Rule 2110 by offering and selling securities when no registration statement was in effect, in violation of Section 5 of the Securities Act. (Complaint at ¶¶ 24-27). During the period December 31, 2002 to March 15, 2005, Respondent solicited 35 customers by telephone to purchase 1,521,030 shares of CC.Net common stock. (Complaint at ¶ 24). The shares of CC.Net common stock that were sold by Respondent were owned by an affiliate of CC.Net. (Complaint at ¶ 25).

Under Rule 9215(f) and Notice to Members 99-77, the allegations of the third cause of the Complaint are deemed admitted and they are hereby incorporated in this Default Decision as findings of fact.

In addition to the allegations of the Complaint, Enforcement provided the information that Respondent testified that: (i) he was typically paid a 20% commission by CC.Net on sales of CC.Net stock, but that on a few occasions he was paid a 50% commission; (ii) CC.Net paid him commissions totaling approximately \$300,000 for his

⁷ *Robert Lester Gardner*, Exch. Act Rel. No. 35,899, 1995 SEC LEXIS 1532, at *1 n. 1 (1995).

sale of CC.Net stock; (iii) he personally solicited the sale of approximately 1.5 million shares of CC.Net stock to public investors; and (iv) he solicited CC.Net stock purchases via the telephone. (DECL at ¶¶ 17, 21(E)).

Section 5 of the Securities Act prohibits the offer or sale of any security, unless there is a registration statement in effect as to that security, or there is an exemption available for that securities transaction.⁸ A prima facie case for a violation of Section 5 of the Securities Act is established by showing that: (1) no registration statement was in effect or filed as to the securities; (2) a person, directly or indirectly, sold or offered to sell the securities; and (3) the sale was made through the use of interstate facilities, i.e., the telephone or the mails.

Once a prima facie case is established, it is well settled that the burden of establishing an exemption from registration requirements rests upon those who claim it.⁹

The FINRA staff conducted searches on the SEC's EDGAR system and determined that no registration statement for CC.Net common stock was filed or in effect at any time during the period from September 7, 2002 to March 15, 2005, and there was no evidence presented that the CC.Net common stock transactions were exempt. (Complaint at ¶ 26; DECL at ¶ 20).

Consequently, based on the allegations deemed admitted, the Hearing Officer finds that Respondent violated NASD Conduct Rule 2110 by offering and selling securities that were not exempt from registration, and for which no registration statement

⁸ *SEC v. Softpoint, Inc.*, 958 F. Supp. 846, 859 (S.D.N.Y. 1997), *aff'd*, 159 F.3d 1348 (2d Cir. 1998).

⁹ *See, e.g., In re First Pittsburgh Sec. Corp.*, 47 SEC 299, 301 (1980). As one court has stated, "[t]he evidence [establishing the exemption] must be . . . explicit, exact, and not built on conclusionary statements of the [respondents]."

had been filed, in violation of Section 5 of the Securities Act of 1933, as alleged in count three of the Complaint.

IV. Sanctions

A. Conversion

Enforcement recommended that Respondent be barred and also requested that Respondent be ordered to pay restitution to customer RB in the amount of \$16,000, plus interest.

For conversion of customer funds, the FINRA Sanction Guidelines recommend a bar regardless of the amount converted.¹⁰ Here, there is no evidence of any mitigating factors. In addition, restitution is appropriate because RB unjustly suffered a quantifiable loss of \$16,000 as a result of Respondent's misconduct.¹¹

Accordingly, the Hearing Officer imposes a bar and an order of restitution on Respondent for violating NASD Conduct Rules 2330(a) and 2110, as alleged in the first count of the Complaint.

B. Unauthorized Transaction

The Sanction Guidelines for unauthorized transactions suggest a fine between \$5,000 and \$75,000, and a suspension of 10 business days to one year, in cases involving customer loss, and a longer suspension of up to two years or a bar, in egregious cases.¹² The principal considerations are (i) whether the respondent misunderstood his or her

¹⁰ *Guidelines* at 38.

¹¹ The Guidelines generally recognize that, in cases where an identified individual has suffered a quantifiable loss because of a respondent's misconduct, it is appropriate to order the respondent to pay restitution. *See Id.* at 6. *See also Notice to Members* 99-86 (providing that FINRA generally will require the payment of restitution in sales practice cases where there has been significant and identifiable customer harm).

¹² *Guidelines* at 103.

authority or the terms of the customer's orders, and (ii) whether the unauthorized trading was egregious.¹³

FINRA has identified three categories of egregious unauthorized trading:

(1) quantitatively egregious unauthorized trading (i.e., unauthorized trading that is egregious because of the sheer number of unauthorized trades executed); (2) unauthorized trading accompanied by aggravating factors, such as efforts to conceal the unauthorized trading, attempts to evade regulatory investigative efforts, customer loss, or a history of similar misconduct; and (3) qualitatively egregious unauthorized trading, which is measured by the strength of the evidence and the respondent's motives in effecting the trades (i.e., whether the respondent acted in bad faith or as a result of a reasonable misunderstanding).¹⁴ Arguing that Respondent's misconduct was egregious, Enforcement recommended a bar.

Although Respondent's action did not involve numerous unauthorized trades, Respondent executed the trade through the use of a wire transfer form that was forged, and he executed the unauthorized purchase despite the customer's explicit determination not to purchase CC.Net common stock. Accordingly, the Hearing Officer agrees that Respondent's conduct was egregious, and therefore imposes a bar on Respondent for violating NASD Conduct Rule 2110, as alleged in count two of the Complaint.¹⁵

C. Sale of Unregistered Securities

The Sanction Guidelines for sales of unregistered securities suggest a fine between \$2,500 and \$50,000, and, in egregious cases, suspension of up to two years or a

¹³ *Id.*

¹⁴ See *District Bus. Conduct Comm. v. Hellen*, No. C3A970031, 1999 NASD Discip. LEXIS 22, at *15-24 (NAC June 15, 1999).

¹⁵ The Hearing Officer did not order restitution because customers NP and WP's loss was not quantified in the absence of information concerning the current value of the CC.Net common stock.

bar.¹⁶ The applicable principal considerations in determining the sanctions for the sale of unregistered securities are (i) whether the respondent attempted to comply with an exemption from registration, (ii) whether the respondent sold before the effective date of the registration statement filed, and (iii) the share volume and dollar amount of the transactions involved.¹⁷

In this case, registration of the shares was never attempted. In addition, Respondent made no attempt to comply with any exemption from registration. Finally, the share volume and the dollar volume were significant. Respondent sold more than 1.5 million shares of unregistered CC.Net common stock for sales proceeds that exceeded \$1.5 million and resulted in commission payments to Respondent of \$304,206.

Enforcement recommended a bar. Considering the aggravating factors listed above and the absence of any mitigating factors, the Hearing Officer finds that Respondent's conduct was egregious. Accordingly, the Hearing Officer bars Respondent for violating NASD Conduct Rule 2110 by selling unregistered securities in violation of Section 5 of the Securities Act of 1933, as alleged in count three of the Complaint.¹⁸

V. Order

Respondent Scott H. Weissman is barred from associating with any FINRA member firm in any capacity for: (1) converting to his own use and benefit \$30,000 from customer RB's securities account, in violation of NASD Conduct Rules 2330(a) and 2110; (2) executing an unauthorized purchase of 8,000 shares of CC.Net common stock in the joint account of customers WP and NP, in violation of NASD Conduct Rule 2110;

¹⁶ *Guidelines* at 26.

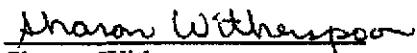
¹⁷ *Id.*

¹⁸ The Hearing Officer did not order restitution because the 35 purchasers were not identified, and there was no information to quantify a particular purchaser's loss.

and (3) offering and selling 1,521,030 unregistered shares of CC.net common stock to 35 customers, in violation of NASD Conduct Rule 2110.

Respondent is also ordered to pay restitution to customer RB in the total amount of \$16,000, plus interest calculated pursuant to 26 U.S.C. § 6621(2)(2) from the date of the conversion, December 23, 2004, until the date of payment.

These sanctions shall become effective on a date determined by FINRA, but not sooner than 30 days from the date this Decision becomes the final disciplinary action of FINRA; except that, if this Decision becomes the final disciplinary action of FINRA, the bars shall become effective immediately.


Sharon Witherspoon
Hearing Officer

Dated: Washington, DC
February 4, 2008

Copies to:

Scott H. Weissman (via FedEx and first class mail)
Mark J. Fernandez, Esq. (via electronic and first class mail)
Mark P. Dauer, Esq. (via electronic and first class mail)
David R. Sonnenberg, Esq. (via electronic and first class mail)

**FINRA
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

SCOTT H. WEISSMAN, General
Securities Representative
CRD No. 2664118,

Respondent.

Disciplinary Proceeding
No. 2005001067201

Hearing Officer -

COMPLAINT

The Department of Enforcement alleges:

Summary

On or about December 23, 2004, while employed with former FINRA member firm Cardinal Capital Management, Inc. ("CCM") as a General Securities Representative, Scott Weissman ("Weissman" or "Respondent") converted to his own use and benefit \$30,000 that belonged to CCM customer RB. Weissman used these funds to pay for business-related expenses incurred by Topline Capital Ventures, a California-based, movie production company that Weissman controlled and for which he served as President. Additionally, on or about January 5, 2005, Weissman made an unauthorized purchase of 8,000 shares of Cardinal Capital.Net, Inc. stock (CCM's parent company) in the joint brokerage account of CCM customers WP and NP. Finally, during the period from December 31, 2002 to March 15, 2005, Weissman offered and sold approximately 1,521,030 unregistered Cardinal Capital.Net, Inc. common stock shares to 35 CCM customers.

Respondent

1. Weissman became registered as a General Securities Representative in October 1995 while employed with First United Equities Corp., a FINRA member firm. After leaving First United Equities Corp., Weissman associated with a series of FINRA member firms. On September 6, 2002, Weissman became registered with CCM, where he remained until March 3, 2004. On March 3, 2004, Weissman left CCM and associated with member firm CGF Securities, LLC, where he remained for approximately 30 days before returning to CCM on April 13, 2004. On January 11, 2005, Weissman resigned from CCM and joined member firm Westpark Capital, Inc. ("Westpark Capital"), where he remained until February 8, 2005.
2. On September 9, 2005, and again on September 27, 2005, while employed with member firm Salomon Grey Financial Corporation, Weissman was suspended by FINRA for failing to pay arbitration awards/ fees. Weissman was terminated by Salomon Grey on September 9, 2005.
3. Weissman has not been associated with a FINRA member firm since September 9, 2005. Weissman therefore is subject to the jurisdiction of FINRA until September 8, 2007, pursuant to Article V, Section 4 of FINRA's By-Laws.

FIRST CAUSE OF COMPLAINT Conversion of Customer Funds NASD Conduct Rules 2110 and 2330(a)

4. Paragraphs 1 – 3 above are incorporated herein by reference.

5. Public customer RB maintained a brokerage account with CCM from July 2000 to June 2005, and Weissman was his assigned broker.
6. In December 2004, RB's CCM brokerage account had a balance of approximately \$32,000, which was invested entirely in a money market fund.
7. On or about December 23, 2004, without the knowledge or consent of RB, Weissman instructed North American Clearing, Inc. ("North American") – CCM's clearing firm – to transfer \$30,000 from RB's CCM brokerage account to a bank account for Topline Capital Ventures ("Topline"). Topline is a California-based, movie production company, and Weissman is the company's president.
8. To authorize the wire transfer, Weissman, without the knowledge or consent of RB, completed a wire-transfer instruction form, which he faxed to North American on or about December 23, 2004. On the form, \$30,000 was designated as the amount to be transferred, Topline was designated as the recipient of the funds to be transferred, and Topline's bank account was designated as the account to receive the funds. In addition, RB's CCM brokerage account was listed as the transferor account and RB as the owner of that account. RB, however, did not sign the form. Instead, RW, Weissman's uncle, signed his name on the form in the space provided above RB's printed name. Finally, Weissman printed and signed his own name on the form immediately below RB's printed name.

9. Weissman faxed the form to North American on December 23, 2004. That day, North American transferred \$30,000 from RB's account to Topline's Bank of America checking account.
10. In or about March 2005, RB discovered that \$30,000 had been transferred from his account, and he contacted Weissman for an explanation. Weissman told RB that he was unaware of the transfer but would investigate the matter.
11. Several weeks later, on May 27, 2005, Weissman faxed a letter to RB in which he represented that: (i) the \$30,000 wire transfer from RB's account was an error; (ii) RB's name and account number had been mistakenly written on a wire-transfer instruction form that Weissman had intended to submit for his uncle, RW, who wanted to transfer \$30,000 to Topline; and (iii) Weissman did not notice RB's name and account number on the form when he faxed it to North American on December 23, 2004. Finally, Weissman stated that he could not immediately return the \$30,000 to RB because the funds had been spent on a Topline movie production project.
12. After months of repeated demands by RB to Weissman for repayment, RB received a \$14,000 wire transfer from Topline on or about August 19, 2005 in partial repayment of the \$30,000 that had been transferred to Topline from RB's account. Since then, RB has received no further repayments from either Weissman or Topline.
13. The foregoing acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rules 2110 and 2330(a) by Respondent Weissman.

SECOND CAUSE OF COMPLAINT
Unauthorized Transactions
NASD Conduct Rule 2110

14. Paragraphs 1 – 13 above are incorporated herein by reference.
15. Public customers WP and NP, husband and wife, maintained a joint brokerage account with CCM from January 2004 until June 2005, and Weissman was their assigned broker.
16. In late fall of 2004, Weissman began recommending that WP purchase shares of CC.Net common stock. WP told Weissman each time that he was not interested.
17. On or about January 5, 2005, without the knowledge or consent of either WP or NP, Weissman faxed a wire-transfer instruction form to North American authorizing the transfer of \$8,000 from the Ps' CCM joint brokerage account to a bank account for CC.Net.
18. CC.Net received the Ps' funds on January 6, 2005, and, on January 9, 2005, 8,000 shares of CC.Net common stock were deposited into the Ps' account.
19. In or about March 2005, WP received in the mail a stock certificate representing 8,000 shares of CC.Net common stock. Upon reviewing his account statements, WP discovered that on January 6, 2005, \$8,000 had been wire transferred from the Ps' joint brokerage account and, on January 9, 2005, 8,000 shares of CC.Net common stock had been deposited into their account.

20. WP immediately contacted Weissman for an explanation. Weissman told WP that the wire transfer and deposit of CC.Net shares was a mistake and that he would take care of it.
21. To date, despite repeated demands by WP, the unauthorized transaction has not been reversed and no funds have been returned to the P's.
22. The foregoing acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rule 2110 by Respondent Weissman.

THIRD CAUSE OF COMPLAINT
Sale of Unregistered Securities
NASD Conduct Rule 2110

23. Paragraphs 1 – 22 above are incorporated herein by reference.
24. During the period from on or about December 31, 2002, to on or about March 15, 2005, Weissman sold a total of approximately 1,521,030 shares of CC.Net common stock to approximately 35 public customers.
25. Each share of CC.Net stock that Weissman sold was owned by an affiliate of CC.Net.
26. During the period from on or about December 31, 2002, to on or about March 15, 2005, no registration statement for CC.Net common stock was filed or in effect with the United

States Securities and Exchange Commission ("SEC") as required by Section 5 of the Securities Act of 1933 ("1933 Act"), and the stock was not exempt from registration.

27. For sales of CC.Net stock, CC.Net paid Weissman a commission equal to 20%, and in some cases 50%, of the sale proceeds. Weissman earned commissions totaling approximately \$304,206 from his sales of CC.Net stock.

28. The foregoing acts, practices and conduct are in contravention of Section 5 of the Securities Act of 1933 and constitute separate and distinct violations of NASD Conduct Rule 2110 by Respondent Weissman.

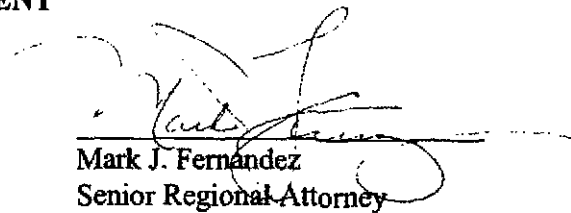
PRAYER FOR RELIEF

WHEREFORE, the Department respectfully requests that the Panel:

- A. order that one or more of the sanctions provided under NASD Rule 8310(a) be imposed, including that the Respondent be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest; and
- B. order that the Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with NASD Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

DATE: September 6, 2007



Mark J. Fernandez
Senior Regional Attorney
FINRA Department of Enforcement
1100 Poydras Street, Suite 850
New Orleans, LA 70163
(504) 412-2404
Fax: (504) 522-4077

Andrew A. Favret, Associate Vice President
and Regional Chief Counsel
FINRA Department of Enforcement
1100 Poydras Street, Suite 850
New Orleans, LA 70163
(504) 412-2404
Fax: (504) 522-4077

FINRA DISTRICT DIRECTOR

OF COUNSEL
Rory C. Flynn, Of Counsel
FINRA Department of Enforcement
801 K Street, N.W., Suite 800
Washington, D.C. 20006
(202) 974-2974
Fax No. (202) 721-8318

Mark Dauer, Of Counsel
FINRA Department of Enforcement
1100 Poydras Street, Suite 850
New Orleans, LA 70163
(504) 412-2405
Fax: (504) 522-4077