

**FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

**HALLMARK INVESTMENTS, INC.
(BD No. 135003),**

AND

**STEVEN GARY DASH
(CRD No. 2438498),**

RESPONDENTS.

**DISCIPLINARY PROCEEDING
No. 2006 003 6895 01**

Hearing Officer SNB

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: February 20, 2009

INTRODUCTION

Disciplinary Proceeding No. 2006003689501 was filed on January 10, 2008, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant).

Respondents Hallmark Investments, Inc. and Steven Gary Dash submitted an Offer of Settlement (Offer) to Complainant on January 23, 2009. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

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

BACKGROUND

Hallmark has been a member of FINRA since September 28, 2005 and operates a general securities business. Hallmark has one office, located at 420 Lexington Avenue, New York, New York. The Firm is 100 percent owned by Hallmark Investments Holding Corporation ("Holdings"), which in turn is more than 75 percent owned by the Dash Family Trust. Steven Dash is Hallmark's founder and President.

Dash first became registered with FINRA as a General Securities Representative (GSR) in November 1994 through a former member firm. Dash has been registered through a total of ten member firms. Dash was registered as a GSR through National Securities Corporation (BD No. 7569) ("National") from September 2002 through January 2003. He was registered through GunnAllen Financial, Inc. (BD No. 17609) ("GunnAllen") as a GSR from January 2003 through October 2005 and as a General Securities Principal (GSP) from March 2003 through October 2005. Dash has been registered as a GSR and GSP through Hallmark Investments since the Firm was first registered with FINRA in September 2005.

Neither Dash nor Hallmark Investments has any disciplinary history.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

In September 2002, Dash entered into an independent contractor agreement with National, where he set up a new branch office of National "doing business as" Hallmark Investments. Dash incorporated Hallmark in or about September 2002. Dash's intention was to grow his own business using the Hallmark name, with the hope of eventually becoming a fully independent broker-dealer registered with FINRA. Dash's employment with National terminated on or about December 31, 2002.

On or about December 19, 2002, Dash entered into an independent contractor agreement with GunnAllen. The location and personnel of Dash's branch office remained the same following the move to GunnAllen, and the name "Hallmark Investments" remained on the door. Dash's arrangement with GunnAllen lasted until September 2005, when FINRA approved Hallmark's broker-dealer application and Dash launched his own firm.

On or about October 3, 2002, while registered through National, Dash solicited a \$50,000 investment in Hallmark common shares from WB. WB was a customer of Dash's with an account at National. On or about January 13, 2003, March 18, 2003, August 20, 2003, and November 6, 2003, while registered through GunnAllen, Dash solicited four investments in Hallmark common shares from PH, the first three investments for \$50,000 and the final investment for \$100,000. When each of these four share purchases occurred, PH was a customer of Dash's with an account at GunnAllen. In total, PH invested \$250,000 in Hallmark common

shares from January 2003 through November 2003. On or about February 19, 2004, while registered through GunnAllen, Dash solicited a \$50,000 investment in Hallmark common shares from WM. At the time of the share purchase, WM was a customer of Dash's with an account at GunnAllen.

Dash did not provide prior written notice to National regarding WB's purchase of Hallmark shares, nor did he secure written approval. Dash did not provide prior written notice to GunnAllen regarding any of PH's or WM's purchases of Hallmark shares, nor did he secure written approval.

On or about March 15, 2005, Hallmark filed a New Member Application with FINRA's District 10 office pursuant to NASD Membership and Registration Rule 1013. NASD Membership and Registration Rule 1013 states that, among other things, a New Member Application shall include:

a detailed business plan that adequately and comprehensively describes all material aspects of the business that will be, or are reasonably anticipated to be, performed at and after the initiation of business operations, *including future business expansion plans*, if any . . .

(emphasis added). And also:

a description of the nature and source of Applicant's capital with supporting documentation, including a list of all persons or entities that have contributed or plan to contribute financing to the Applicant's business, the terms and conditions of such financing arrangements, the risk to net capital presented by the Applicant's proposed business activities, *and any arrangement for additional capital should a business need arise.*

(emphasis added). The New Member Application stated that Hallmark was owned by Dash, WB, PH and WM, and that these shareholders "stand ready to provide additional funding to the Company if needed to cover current expenses or to meet its net capital requirements." The application further stated that "[t]he Company does not anticipate any changes in its ownership or management during the first twelve months of operations." The New Member Application made no mention of plans to create Holdings and conduct a broker-dealer self-offering.

On or about August 17, 2005, Dash and two other Hallmark employees attended a membership interview at FINRA's District 10 office. Neither Dash nor his colleagues mentioned plans to create Holdings and conduct a broker-dealer self-offering. At no other time between when Hallmark filed its New Member Application on or about March 15, 2005, and when FINRA approved Hallmark's membership application effective on or about September 28, 2005, did Dash, Hallmark or anyone else inform FINRA staff of plans to create Holdings and conduct a broker-dealer self-offering.

Hallmark filed its New Member Application on or about March 15, 2005. Dash took concrete steps toward effecting a plan to create Holdings and conduct a broker-dealer self-offering while Hallmark's New Member Application was pending. Dash received from his lawyers a first draft of the private placement memorandum (PPM), which would eventually be used in the planned offering, on or about May 26, 2005, approximately two months after Hallmark filed its New Member Application and almost three months before Hallmark's membership interview at FINRA's District 10 office.

Hallmark was approved as a FINRA member effective on or about September 28, 2005. Dash caused Holdings to be incorporated in the State of Delaware just over a month later, on or about November 3, 2005. Dash was the sole initial director of Holdings. The four owners of Hallmark, Dash, WB, PH and WM, then transferred 100 percent of their ownership interest in Hallmark to Holdings in a share exchange effective November 17, 2005. All four shareholders exchanged each of their shares of Hallmark common stock for fifty thousand shares of Holdings' Class B common stock. As a result of this transaction, Holdings became the sole owner of Hallmark.

Shortly thereafter, Holdings initiated a private placement pursuant to a later version of the PPM that Dash had initially received on or about May 26, 2005. The final version of this PPM was dated November 17, 2005. The Use of Proceeds section of the November 17, 2005 PPM provides, in effect, that between 83 and 99 percent of the net proceeds will be used for "working capital to operate our business and execute our Operating Plan." As of May 9, 2006, Holdings had raised approximately \$1.5 million in the private offering.

Accordingly, Hallmark and Dash filed information with FINRA with respect to membership that was incomplete or inaccurate so as to be misleading, and failed to correct such filing.

FINRA has jurisdiction to impose disciplinary sanctions on a member firm such as Hallmark for violations that occur during the membership application process.

As stated above, the four owners of Hallmark, Dash, WB, PH and WM, transferred 100 percent of their ownership interest in Hallmark to Holdings in a share exchange effective November 17, 2005. As a result of this transaction, Holdings became the sole owner of Hallmark. The November 17, 2005 share exchange constituted "a change in the equity ownership or partnership capital of the member that results in one person or entity directly or indirectly owning or controlling 25 percent or more of the equity or partnership capital." Nonetheless, Hallmark, acting through Dash, failed to file an application with FINRA for approval of this change of ownership as required by NASD Membership and Registration Rule 1017(a).

Based on the foregoing, Respondent Dash violated NASD Conduct Rules 3040 and 2110, and Respondents Dash and Hallmark Investments violated NASD Membership and Registration IM-1000-1, NASD Membership and Registration Rule 1017(a), and NASD Conduct Rule 2110.

On or about January 4, 2008, Respondent Dash filed a Chapter 7 bankruptcy petition pursuant to Title 11, United States Code.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondents from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that:

- Hallmark Investments be censured;
- Hallmark Investments be fined \$15,000; and
- Dash be suspended for two months in all capacities.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

SO ORDERED.

FINRA

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



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