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REGISTRATION & DISCLOSURE

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

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

MAX INTERNATIONAL BROKER-DEALER,
CORP. (BD No. 46039),

AND

DAVID S. ISOLANO (CRD No. 2504880),

RESPONDENTS.

DISCIPLINARY PROCEEDING
No. 20070072538-03

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Respondent Max International Broker-Dealer, Corp. ("Max" or the "firm") is an SEC registered broker-dealer and FINRA member firm located in New York City. During 2005 and 2006, the relevant period for this complaint, Respondent David S. Isolano ("Isolano") was Max's owner, chief executive officer ("CEO") and head of proprietary trading. Isolano's association with the firm dates back to its inception in 1999. He was designated to NASD as the sole shareholder of the firm beginning in 2000 and was formally designated as CEO at least as early as 2003.
2. This complaint principally concerns excessive, fraudulent, undisclosed markups that Max charged on penny stock sales to more than 100 customers.

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3. On September 15, 2005, Max charged at least 34 customers fraudulent markups of 27% on purchases of 2-Track Global, Inc. common stock ("TOTG") (the "TOTG customer transactions"). On September 12, 2006, Max charged at least 77 customers fraudulent markups of 54.64% on purchases of Database Solutions, Ltd. common stock ("DBSJ") (the "DBSJ customer transactions"). At the time of the transactions, TOTG was being quoted on the over-the-counter bulletin board ("OTCBB") and DBSJ was being quoted on the Pink Sheets.
4. Max's strategy with TOTG and DBSJ was to obtain a large position away from the market at a discounted price and immediately liquidate the position by selling to its own customers and charging exorbitant markups on the transactions, which the firm would retain for the firm's and Isolano's benefit. In both instances, person(s) at Max first arranged with one or more broker-dealers to purchase a large block of penny stock from a customer at one of those broker-dealers at a price that was below the quoted inside market at the time. At the same time that the firm was arranging to buy the block of penny stock away from the market, Max's brokers recommended the stock to customers, solicited indications of interest from customers and pre-arranged for customers to buy shares of the same security. Once Max reached agreement on the price at which it would make its proprietary purchase of the stock, the firm bought the stock into its proprietary trading account. On the same date of the proprietary purchases, Max then would sell nearly all of its position to its retail brokerage customers. Even though Max was not a market maker, and bought the blocks of stock at below the quoted inside market for the stock, Max charged its customers a per share price to buy the stock at the publicly reported offer price for the stock on that day.

5. Max further misled at least 55 of the DBSJ purchasers by charging a disclosed “commission” over and above the undisclosed markup, leading customers to believe that the commission was the entirety of the firm’s remuneration in those transactions, when, in fact, it represented only a very small portion, \$18,765.00, of Max’s profit on the DBSJ customer transactions.
6. The markups and commissions assessed on the TOTG and DBSJ customer transactions are summarized as follows:

TOTG Customer Transactions		
9/15/05	Max’s acquisition cost for 186,494 shares of TOTG (at \$1.00 per share)	\$186,494
9/15/05	Max’s retail price to 34 customers (at \$1.27 per share) to buy 186,494 shares of TOTG from Max	\$236,847.38
Undisclosed (27%) markup charged to 34 retail customers		<u>\$50,353.38</u>

DBSJ Customer Transactions		
9/12/06	Max’s acquisition cost for 7,792,317 shares of DBSJ (at \$0.097 per share)	\$755,854.75
9/12/06	Max’s retail price to 77 customers (at \$0.15 per share) to buy 7,792,317 shares of DBSJ from Max	\$1,168,847.55
Undisclosed (54.64%) markup charged to 77 customers		\$412,992.80
Additional “commission” charged to 55 of 77 customers		\$18,765.00
Total Remuneration to Max		<u>\$431,757.80</u>

7. In addition, Max failed to trade report any of the TOTG and DBSJ customer transactions, failed to maintain accurate and/or complete books and records in connection with both sets of transactions, and violated NASD’s supervisory rules. Max also violated the SEC and NASD books and records requirements related to electronic storage media (“ESM”).
8. Isolano was personally responsible for failing to enforce the firm’s supervisory procedures and was directly liable for the firm’s fraudulent and excessive markups in the DBSJ transactions.

RESPONDENTS AND JURISDICTION

Max

9. Max became registered with the Securities and Exchange Commission ("SEC") as a broker-dealer and became a member of FINRA (then-NASD), on or about April 7, 1999. Max is owned by Isolano, the firm's CEO. Max is currently a FINRA member firm and is subject to FINRA's jurisdiction.

Isolano

10. On or about July 6, 1994, Isolano first entered the securities industry as a general securities representative ("GSR") registered with a former FINRA member firm. Between 1994 and the present, Isolano has been registered with four FINRA member firms, including Max. According to the records of the Central Registration Depository ("CRD"), Isolano has been employed at Max since on or about July 17, 1999. Isolano has been registered at Max as a GSR and a general securities principal ("GSP") since on or about September 15, 1999. Isolano has been registered as an equity trader ("ET") at Max since on or about October 9, 2003. Isolano has been identified as a control person at Max on the firm's Form BD, Schedule A, since at least February 2000. Isolano has been sole shareholder of Max since April 2000 and assumed the title of CEO at least as early as January 2003. Isolano is currently registered with Max and subject to FINRA's jurisdiction.

BACKGROUND

TOTG

11. In September 2005, TOTG traded over the counter and was quoted on the OTCBB.

According to a publicly available SEC Form 10-QSB filed by TOTG on August 17, 2005, the company's business concerned "logistic-oriented technology including vessel and vehicle fleet management solutions and proprietary positional real-time integrity and status monitoring systems for containers and other remote assets." TOTG stated in the same SEC filing that TOTG "has incurred losses of \$148,754 since inception and has a working capital deficiency of \$472,867 as of June 30, 2005. These factors create doubt as to the ability of [TOTG] to continue as a going concern. ...".

12. Max's trading on September 15, 2005 accounted for about 43% of that day's trading volume in TOTG and 1.43% of the company's trading volume during calendar year 2005. By September 14, 2006, a year after the TOTG customer transactions, the stock was trading at \$0.20 per share, 84% lower than it was on the date of the TOTG customer transactions.

DBSJ

13. In 2006, DBSJ was a Canadian company that purported to be a software developer of products for use by insurance industry salespersons for customer relations management. The stock was being quoted on the Pink Sheets in 2006. Max's proprietary purchase of DBSJ on September 12, 2006, represented 95% of that day's trading volume and accounted for 20% of DBSJ's trading volume in calendar year 2006. On September 12, 2007, one year after the DBSJ customer transactions, the price of DBSJ closed at \$0.00088 per share, a decline in value of approximately 99.5% from September 12, 2006.

FIRST CAUSE OF ACTION

EXCESSIVE AND FRAUDULENT MARKUPS IN CONNECTION WITH TOTG TRANSACTIONS

(Willful Violation of Section 10(b) of Securities Exchange Act of 1934, Rule 10b-5 promulgated thereunder, NASD Conduct Rule 2120, NASD Conduct Rule 2440 and NASD Conduct Rule 2110)

RESPONDENT MAX

14. The Department realleges and incorporates by reference paragraphs 1 through 13 above.
15. NASD Conduct Rule 2440 requires that prices charged to customers in principal transactions be fair under all relevant circumstances. IM-2440-1 establishes a "5% Policy" that states, *inter alia*, "a markup pattern of 5% or even less may be considered unfair or unreasonable ...".
16. Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5, promulgated thereunder makes it unlawful for any person directly, or indirectly, by use of any means or instrumentality of interstate commerce to employ devices, schemes, or artifices to defraud; make untrue statements of material fact or omit to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; or engage in acts, practices, or courses of business which operate or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of a security.
17. On or before September 15, 2005, Isolano was approached by DF, a trader at another broker-dealer ("Broker-Dealer A"), concerning an opportunity to purchase a block of TOTG from the accounts of certain institutional customers with accounts at Broker-Dealer A at a discounted price.

18. BC, an individual who was not registered with FINRA, was an adviser to these Broker-Dealer A account holders.
19. Max, acting through Isolano or another person at Max, agreed with BC, to purchase 200,000 shares of TOTG at a significant discount below the quoted inside market.
20. At the same time that Max personnel were negotiating this purchase, brokers at Max were recommending TOTG to its retail customers, soliciting indications of interest and pre-arranging for customer buy transactions in the stock.
21. On September 15, 2005, Max purchased 200,000 shares of TOTG into the firm's proprietary account at a price of \$1.00 per share, a 21.26% discount below the published offer price in the market on that date. On that same day, acting in a principal capacity, Max sold at least 34 customers 186,494 shares of TOTG that it purchased on that date at a retail price to the customers of \$1.27 per share, representing a same-day markup of 27%.
22. As more fully detailed in Exhibit "A" attached hereto and incorporated by reference, Max earned a total of \$50,353.38 in markups on the TOTG customer transactions. The 27% markup was well above the 5% guideline set forth in NASD IM-2440-1, the NASD Mark-Up Policy.
23. At least \$41,028.68 of the total markups on the TOTG customer transactions were excessive and fraudulent. All of this profit went to the benefit of Max, and Isolano as the firm's owner.
24. Max knew, should have known or was reckless in not knowing that the 27% markup assessed to the TOTG customers was excessive, unfair and unreasonable.

25. Based on the conduct described above, Max, by use of an instrumentality of interstate commerce employed devices, schemes, or artifices to defraud; made untrue statements of material facts or omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; or engaged in acts, practices, or courses of business which operate or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of a security.

The foregoing conduct constitutes separate and distinct willful violations of Section 10(b) of the Securities Exchange Act and Rule 10b-5 promulgated thereunder and constitutes separate and distinct violations of NASD Conduct Rules 2120, 2440 and 2110.

SECOND CAUSE OF ACTION

FAILURE TO REPORT TOTG CUSTOMER TRANSACTIONS (Violation of NASD Systems and Programs Rule 6620)

RESPONDENT MAX

26. The Department realleges and incorporates by reference paragraphs 1 through 25 above.
27. NASD Systems and Programs Rule 6620 requires that non-market makers transmit last sale reports to the OTC Reporting Facility for transactions in OTC Equity Securities, as that term is defined in NASD Systems and Programs Rule 6610.
28. TOTG was an OTC Equity Security. Max was not a market maker in TOTG.
29. Max failed to report to the OTC Reporting Facility at least 34 last sale reports of transactions in DBSJ that were effected on September 15, 2005.

Based on the foregoing, Max violated NASD Rule 6620(b).

THIRD CAUSE OF ACTION
BOOKS AND RECORDS – TOTG TRANSACTIONS
(Willful Violation of SEC Rule 17a-3 and Violation of
NASD Conduct Rules 3110 and 2110)
RESPONDENT MAX

30. The Department realleges and incorporates by reference paragraphs 1 through 29 above.
31. NASD Conduct Rule 3110 requires that every member firm shall make and preserve books and records in accordance with Rules 17a-3 and 17a-4 of the Exchange Act.
32. SEC Rule 17a-3(a)(6) requires that every member firm make and keep current a memorandum of each brokerage order which shall state, *inter alia*, time of order receipt, time of order entry, and execution price for the transactions.
33. Max failed to create order memoranda, as required by SEC Rule 17a-3(a)(6), for any of the TOTG customer transactions.
34. SEC Rule 17a-3(a)(1) requires that every member firm make and keep current a blotter, or other record of original entry, “containing an itemized daily record of all purchases and sales of securities ...”. Such blotters shall show, *inter alia*, “the account for which each such transaction was effected, the name and amount of securities the unit and aggregate purchase or sale price ...”.
35. Max maintained blotters labeled “Rep Blotters”. With respect to the TOTG transactions, the Rep Blotters failed to meet the requirements of SEC Rule 17a-3(a)(1) in that they did not accurately reflect the terms of the customer orders. Specifically, the trade details for each of the TOTG customer transactions wrongly stated that each customer order was filled with twice the number of shares than actually purchased by each customer.

Based on the foregoing, Max willfully violated Rule 17a-3 promulgated under the Exchange Act and violated NASD Conduct Rules 3110 and 2110.

FOURTH CAUSE OF ACTION

EXCESSIVE AND FRAUDULENT MARKUPS IN CONNECTION WITH DBSJ TRANSACTIONS

(Willful Violation of Section 10(b) of Securities Exchange Act of 1934, Rule 10b-5 promulgated thereunder, and Violation of NASD Conduct Rule 2120, NASD Conduct Rule 2440 and NASD Conduct Rule 2110)

RESPONDENTS MAX AND ISOLANO

36. The Department realleges and incorporates by reference paragraphs 1 through 35 above.
37. NASD Conduct Rule 2440 requires that prices charged to customers in principal transactions be fair under all relevant circumstances. IM-2440-1 establishes a "5% Policy" that states, *inter alia*, "a markup pattern of 5% or even less may be considered unfair or unreasonable ...".
38. Section 10(b) of the Exchange Act and Rule 10b-5, promulgated thereunder makes it unlawful for any person directly, or indirectly, by use of any means or instrumentality of interstate commerce to employ devices, schemes, or artifices to defraud; make untrue statements of material fact or omit to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; or engage in acts, practices, or courses of business which operate or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of a security.
39. Just a year after Max engaged in its fraudulent markup scheme in connection with the TOTG customer transactions, Max, acting through Isolano, engaged in the same strategy with DBSJ. This time, as early as September 5, 2006, DF contacted Isolano concerning

BC's interest in selling, at a discount below the quoted inside market, millions of shares of DBSJ from an account under BC's control.

40. BC controlled accounts at Broker-Dealer A as well as at a third broker-dealer ("Broker-Dealer B"). Between September 5, 2006 and September 12, 2006, Isolano negotiated with BC to buy the discount block of DBSJ stock, even meeting with BC and DF in New York City to discuss the potential sale. On or before September 12, 2006, Isolano reached an agreement to buy more than 8.1 million shares of DBSJ from a BC controlled account at Broker-Dealer B.
41. During the same time frame that Isolano was negotiating to buy the discount block of DBSJ stock from BC, Isolano informed Max's sales force of the stock. Members of Max's sales force then began recommending DBSJ to Max customers beginning as early as September 7, 2006 and solicited indications of interest for purchases of DBSJ and pre-arranged for customer buy transactions of the stock. By September 12, 2006, Max had obtained indications of interest for its customers to buy millions of shares in DBSJ.
42. On September 12, 2006, Max, acting through Isolano, bought 8,122,315 shares of DBSJ at a price of \$.097 per share into its proprietary account through Broker-Dealer B. On September 12th, the quoted inside market for DBSJ was between \$0.145 and \$0.15 per share. Max obtained its block of DBSJ at a 35.33% discount below the published offer price in DBSJ on that date.
43. Also on September 12, 2006, Isolano instructed Max's CCO at the time, KY, to enter at least 77 principal transactions with Max's retail customers for those customers to buy 7,792,317 shares of DBSJ at \$0.15 per share – a 54.64% markup from Max's cost to purchase the shares.

44. The 77 DBSJ customers paid \$1,168,847.55 for the same shares that Max had paid \$755,854.75 for that same afternoon, yielding Max a \$412,992.80 profit. No one at Max disclosed to the 77 DBSJ customers that Max made a 54.64% profit from the transactions.
45. At least 55 of Max's customers who purchased DBSJ on September 12th were charged a disclosed "commission" over and above the undisclosed markup. Those commissions totaled \$18,765.00.
46. As more fully detailed in Exhibit "B" attached hereto and incorporated by reference, the undisclosed markups combined with the additional commissions charged on the above described transactions resulted in total remuneration to Max ranging from 54.64% to 64.62% above Max's cost. Max's total compensation on the 77 DBSJ transactions was \$431,757.80. Max retained the undisclosed markup as profit for the firm's and Isolano's benefit and split the profits from the commissions with its sales force. At least \$393,965.06 of those profits was excessive, unfair and unreasonable.
47. Max, acting through Isolano, knew, should have known or was reckless in not knowing that Max's percentage remuneration of 54.64%-64.62% taken on the DBSJ customer transactions was excessive, unfair and unreasonable.
48. Based on the conduct described above, Max and Isolano, by use of an instrumentality of interstate commerce employed devices, schemes, or artifices to defraud; made untrue statements of material facts or omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; or engaged in acts, practices, or courses of business which operate or would

operate as a fraud or deceit upon any person, in connection with the purchase or sale of a security.

The foregoing conduct constitutes separate and distinct willful violations of Section 10(b) of the Securities Exchange Act and Rule 10b-5 promulgated thereunder and constitutes separate and distinct violations of NASD Conduct Rules 2120, 2440 and 2110.

FIFTH CAUSE OF ACTION

BOOKS AND RECORDS -- DBSJ TRANSACTIONS

***(Willful Violation of SEC Rule 17a-3 and Violation of
NASD Conduct Rules 3110 and 2110)***

RESPONDENT MAX

49. The Department realleges and incorporates by reference paragraphs 1 through 48 above.
50. NASD Conduct Rule 3110 requires that every member firm shall make and preserve books and records in accordance with SEC Rules 17a-3 and 17a-4.
51. SEC Rule 17a-3(a)(6) requires that every member firm make and keep current a memorandum of each brokerage order which shall state, *inter alia*, time of order receipt, time of order entry, and execution price for the transactions.
52. Max created order memoranda for the DBSJ customer transactions but none of those order memoranda met the requirements of SEC Rule 17a-3(a)(6). Each handwritten order ticket failed to record the time (or date) of order receipt or time of order entry. Many of order tickets failed to set forth any execution price and in several instances set forth a price that was not the price at which the order was executed.
53. SEC Rule 17a-3(a)(1) requires that every member firm make and keep current a blotter, or other record of original entry, "containing an itemized daily record of all purchases

and sales of securities ...". Such blotters shall show, *inter alia*, "the account for which each such transaction was effected, the name and amount of securities the unit and aggregate purchase or sale price ...".

54. Max maintained blotters labeled "Rep Blotters." With respect to the DBSJ transactions, the Rep Blotters failed to meet the requirements of SEC Rule 17a-3(a)(1) in that they did not accurately reflect the terms of the customer orders. Specifically, the trade details for each of the DBSJ customer buy orders wrongly stated that each customer order was filled with twice the number of shares than actually purchased by each customer.
55. In addition, SEC Rule 17a-3(a)(8) requires that every member firm make and keep current copies of confirmations of all purchases and sales of securities ... for the account of customers ...".
56. All 77 of the DBSJ transaction customer confirmations were inaccurate because the confirmations incorrectly stated that each transaction was unsolicited when, in fact, customer buys of DBSJ were recommended to customers. Therefore, the confirmations for the 77 DBSJ transactions should have been marked as solicited.

Based on the foregoing, Max willfully violated Rule 17a-3 of the Exchange Act and violated NASD Conduct Rule 3110 and 2110.

SIXTH CAUSE OF ACTION
FAILURE TO REPORT DBSJ CUSTOMER TRANSACTIONS
(Violation of NASD Systems and Programs Rule 6620)
RESPONDENT MAX

57. The Department realleges and incorporates by reference paragraphs 1 through 56 above.

58. NASD Systems and Programs Rule 6620 requires that non-market makers transmit last sale reports to the OTC Reporting Facility for transactions in OTC Equity Securities, as that term is defined in NASD Systems and Programs Rule 6610.
59. DBSJ was, on September 12, 2006, an OTC Equity Security. Max was not a market maker in DBSJ.
60. Max failed to report to the OTC Reporting Facility at least 77 last sale reports of transactions in DBSJ that were effected on September 12, 2006.

Based on the foregoing Max violated NASD Rule 6620(b).

SEVENTH CAUSE OF ACTION

FAILURE TO ENFORCE WRITTEN SUPERVISORY PROCEDURES CONCERNING MARKUPS AND PROHIBITION ON PRINCIPAL TRANSACTIONS WITH CUSTOMERS

(Violation of NASD Conduct Rules 3010 and 2110)

RESPONDENTS MAX AND ISOLANO

61. The Department realleges and incorporates by reference paragraphs 1 through 60 above.
62. NASD Conduct Rule 3010(b) requires each member firm to “establish, maintain, and enforce written procedures to supervise the types of business in which it engages to supervise the activities of registered representatives and associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable rules of [the] Association.”
63. During 2005 and 2006, Isolano was CEO, sole shareholder of the firm and the person designated as responsible for markups and proprietary trading at Max. The firm’s procedures explicitly stated that:

“David Isolano, as the head (and currently only) trader for the firm’s

account, will oversee all proprietary trading activities. Max International

does not undertake any principal transactions with customers; our

activities with customers are limited to “agency” transactions.”

(Emphasis in original).

64. Notwithstanding this prohibition on principal transactions with customers, the firm’s procedures provide some procedures for markups:

“Markups/markdowns in excess of 5% require Compliance

Department approval prior to such charges being made. ...

David Isolano is responsible for reviewing all principal transactions

to determine the appropriateness of the markup or mark-down.”

65. The firm’s procedures during 2005 and 2006 note that “markups over ten percent (10%) are more often than not considered FRAUDULENT.” (Emphasis in original). The firm’s 2005 and 2006 WSPs continue on to state that there are a number of factors to be considered in connection with the 5% guideline including

- a. type of security,
- b. availability of the security in the marketplace,
- c. the price of the security,
- d. the amount of money being invested,
- e. disclosure,
- f. markup patterns, and

g. the nature of the securities business.

66. Isolano knew a markup was assessed on the DBSJ customer transactions and failed to take steps to ensure the markup was fair and reasonable or in compliance with Max's own supervisory procedures.
67. In connection with the aforementioned 2005 TOTG transactions, Max failed to reasonably enforce the firm's supervisory procedures concerning markups and proprietary trading.
68. In connection with the aforementioned 2006 DBSJ transactions, Max, acting through Isolano, failed to reasonably enforce the firm's supervisory procedures concerning markups and proprietary trading.

By reason of the foregoing, Max and Isolano violated NASD Conduct Rules 3010 and 2110.

EIGHTH CAUSE OF ACTION
DEFICIENT SUPERVISORY CONTROL PROCEDURES
(Violation of NASD Conduct Rules 3012 and 2110)
RESPONDENT MAX

69. The Department realleges and incorporates by reference paragraphs 1 through 68 above.
70. NASD Rule 3012(a)(1) requires each member to establish, maintain and enforce a system of supervisory control policies and procedures that:

“(A) test and verify that the member's supervisory procedures are reasonably designed with respect to the activities of the member and its registered representatives and associated persons, to achieve compliance with applicable securities laws and regulations, and with applicable NASD

rules and (B) create additional or amend supervisory procedures where the need is identified by such testing and verification. ...”.

71. As of August 2006, KY was the person at Max designated to test and verify the firm’s supervisory procedures and was the person responsible for ensuring that the firm established reasonable supervisory control procedures (“SCPs”).
72. In 2006, the firm prepared a written report for compliance with Rule 3012 and 3013 and IM-3013 that failed to reflect the nature of the testing, the means of verifying testing, or any deficiencies noted in testing. The firm did not conduct and/or evidence the conduct of any formalized testing or gap analysis to ensure that its supervisory systems with respect to maintenance of books and records, review of markups, and receipt of customer funds were adequate.
73. The firm did not maintain evidence of the testing and verification of the firm’s supervisory procedures for the retention of electronic books and records, markups, proprietary trading or receipt of client funds and stated that “verification of the Firm’s supervisory procedures was demonstrated to the on-site [FINRA] examiners when the supervisory review documents for [these items] were submitted as requested throughout the examination.” A firm’s ability to produce documents to FINRA Staff during an examination of the firm does not constitute evidence of compliance with Rule 3012.

By reason of the foregoing, Max violated NASD Rules 3012 and 2110.

NINTH CAUSE OF ACTION
DEFICIENT SUPERVISORY CONTROL PROCEDURES
(Violation of NASD Conduct Rules 3013 and 2110)
RESPONDENT MAX

74. The Department realleges and incorporates by reference paragraphs 1 through 73 above.

75. NASD Rule 3013(a) requires that each member firm specifically identify to NASD on Schedule A of its Form BD, one or more principals to serve as the firm's chief compliance officer. KY served as the firm's CCO beginning in August 2006 through the present but was not designated as CCO on the firm's Form BD until April 9, 2007.
76. IM-3013, footnote one, requires that member firms ensure that each annual certification that is required under Rule 3013 be "effected no later than on the anniversary date of the previous year's certification." Isolano signed and dated the 2006 certification as of December 31, 2006. The prior year's certification was signed on December 15, 2005, making the 2006 verification 15 days late under the rule.

By reason of the foregoing, the Max violated Rules Rule 3013 and Rule 2110.

TENTH CAUSE OF ACTION

BOOKS AND RECORDS – ELECTRONIC STORAGE MEDIA

(Willful Violation of SEC Rule 17a-4 and Violation of NASD Conduct Rule 2110)

RESPONDENT MAX

77. The Department realleges and incorporates by reference paragraphs 1 through 76 above.
78. In 2005 and 2006, Max used electronic storage media ("ESM") as it is defined in SEC Rule 17a-4. SEC Rule 17a-4(f)(2) requires that broker-dealers using ESM notify FINRA of its use of ESM at least 90 days prior to employing such storage media, preserving the records exclusively in a non-rewriteable, non-erasable ("WORM") format.
79. Max used ESM but neither notified FINRA of its use nor stored the ESM in WORM format.

80. SEC Rule 17a-4(f)(3) sets forth certain requirements related to ESM including that broker-dealers using ESM must store, separate from the original, a duplicate “backup” copy of the ESM.
81. Max used backup tapes to retain ESM. However, Max overwrote those backup tapes and did not maintain them in WORM format. Max was unable, because the tapes were overwritten, to provide copies of the backup tapes themselves to the Staff.
82. Additionally, Max maintained email communications in an “administrator inbox” that was accessible by several people at the firm and that allowed those people to delete emails. The emails in the “administrator inbox” were not stored in a non-rewriteable, non-erasable format.

By reason of the foregoing Max willfully violated Rule 17a-4 of the Exchange Act and NASD Conduct Rules 3110 and 2110.

RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. order that one or more of the sanctions provided under FINRA 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;
- B. order that the Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330;
- C. make specific findings that Respondent Max willfully violated Section 10(b) of the Exchange Act, Rule 10b-5 promulgated thereunder, and Rules 17a-3 and 17a-

4 of the Exchange Act and that Respondent Isolano willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

FINRA DEPARTMENT OF ENFORCEMENT

Dated: December 7, 2009



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Exhibit A
Max International Broker-Dealer, Corp.

No.	Customer	Symbol	Trade Date	B/S	Amt of Shares	Principal Amount (\$1.27/sh)	Max's Cost (\$1.00/sh)	% Markup Based on Max's Cost	Undisclosed Markup (\$)
1	AP	TOTG	9/15/05	B	350	\$444.50	\$350.00	27.0000%	\$94.50
2	RCM	TOTG	9/15/05	B	700	\$889.00	\$700.00	27.0000%	\$189.00
3	RC1	TOTG	9/15/05	B	944	\$1,198.88	\$944.00	27.0000%	\$254.88
4	YKC	TOTG	9/15/05	B	1,000	\$1,270.00	\$1,000.00	27.0000%	\$270.00
5	KS	TOTG	9/15/05	B	1,000	\$1,270.00	\$1,000.00	27.0000%	\$270.00
6	PY2	TOTG	9/15/05	B	1,500	\$1,905.00	\$1,500.00	27.0000%	\$405.00
7	RM1	TOTG	9/15/05	B	1,500	\$1,905.00	\$1,500.00	27.0000%	\$405.00
8	AO	TOTG	9/15/05	B	2,000	\$2,540.00	\$2,000.00	27.0000%	\$540.00
9	LGH	TOTG	9/15/05	B	2,000	\$2,540.00	\$2,000.00	27.0000%	\$540.00
10	VG	TOTG	9/15/05	B	2,000	\$2,540.00	\$2,000.00	27.0000%	\$540.00
11	SER	TOTG	9/15/05	B	2,500	\$3,175.00	\$2,500.00	27.0000%	\$675.00
12	DS	TOTG	9/15/05	B	2,500	\$3,175.00	\$2,500.00	27.0000%	\$675.00
13	RAW	TOTG	9/15/05	B	3,000	\$3,810.00	\$3,000.00	27.0000%	\$810.00
14	LPC	TOTG	9/15/05	B	3,000	\$3,810.00	\$3,000.00	27.0000%	\$810.00
15	MSS	TOTG	9/15/05	B	3,000	\$3,810.00	\$3,000.00	27.0000%	\$810.00
16	HK	TOTG	9/15/05	B	5,000	\$6,350.00	\$5,000.00	27.0000%	\$1,350.00
17	BHA	TOTG	9/15/05	B	5,000	\$6,350.00	\$5,000.00	27.0000%	\$1,350.00
18	BH	TOTG	9/15/05	B	5,000	\$6,350.00	\$5,000.00	27.0000%	\$1,350.00
19	JLG	TOTG	9/15/05	B	5,000	\$6,350.00	\$5,000.00	27.0000%	\$1,350.00
20	HLE	TOTG	9/15/05	B	5,000	\$6,350.00	\$5,000.00	27.0000%	\$1,350.00
21	RDL	TOTG	9/15/05	B	5,000	\$6,350.00	\$5,000.00	27.0000%	\$1,350.00
22	ZPO	TOTG	9/15/05	B	7,000	\$8,890.00	\$7,000.00	27.0000%	\$1,890.00
23	JWS	TOTG	9/15/05	B	7,500	\$9,525.00	\$7,500.00	27.0000%	\$2,025.00
24	JAA	TOTG	9/15/05	B	10,000	\$12,700.00	\$10,000.00	27.0000%	\$2,700.00
25	AA	TOTG	9/15/05	B	10,000	\$12,700.00	\$10,000.00	27.0000%	\$2,700.00
26	STS	TOTG	9/15/05	B	10,000	\$12,700.00	\$10,000.00	27.0000%	\$2,700.00
27	GP	TOTG	9/15/05	B	10,000	\$12,700.00	\$10,000.00	27.0000%	\$2,700.00
28	RLT	TOTG	9/15/05	B	10,000	\$12,700.00	\$10,000.00	27.0000%	\$2,700.00
29	NG	TOTG	9/15/05	B	10,000	\$12,700.00	\$10,000.00	27.0000%	\$2,700.00
30	RHG	TOTG	9/15/05	B	10,000	\$12,700.00	\$10,000.00	27.0000%	\$2,700.00
31	GGB	TOTG	9/15/05	B	10,000	\$12,700.00	\$10,000.00	27.0000%	\$2,700.00
32	RK2	TOTG	9/15/05	B	10,000	\$12,700.00	\$10,000.00	27.0000%	\$2,700.00
33	WSM	TOTG	9/15/05	B	10,000	\$12,700.00	\$10,000.00	27.0000%	\$2,700.00
34	HT	TOTG	9/15/05	B	15,000	\$19,050.00	\$15,000.00	27.0000%	\$4,050.00
					186,494	\$236,847.38	\$186,494.00		\$50,353.38

Exhibit B
Max International Broker-Dealer, Corp.

No.	Customer	Symbol	Trade Date	B/B	Am't of Shares	Principal Amount (\$0.15/sh)	Max's Cost (\$0.087/sh)	% Markup Based on Max's Cost	Undisclosed Markup (\$)	Disclosed Commission	Customer's Cost (Prin. Amt. + Comm.)	Total Remuneration to Max (% above firm's cost)
1	AD	DBSJ	9/12/06	B	20,000	\$3,000.00	\$1,940.00	54.6392%	\$1,060.00	\$0.00	\$3,000.00	54.6392%
2	YCT	DBSJ	9/12/06	B	23,400	\$3,510.00	\$2,268.80	54.6392%	\$1,241.20	\$0.00	\$3,510.00	54.6392%
3	RB	DBSJ	9/12/06	B	56,866	\$8,499.90	\$5,496.60	54.6392%	\$3,003.30	\$0.00	\$8,499.90	54.6392%
4	LCB	DBSJ	9/12/06	B	108,666	\$15,999.90	\$10,346.60	54.6392%	\$5,653.30	\$0.00	\$15,999.90	54.6392%
5	CSC	DBSJ	9/12/06	B	73,333	\$10,999.95	\$7,113.30	54.6392%	\$3,886.65	\$0.00	\$10,999.95	54.6392%
6	RAW	DBSJ	9/12/06	B	66,666	\$9,999.90	\$6,466.60	54.6392%	\$3,533.30	\$0.00	\$9,999.90	54.6392%
7	RLC	DBSJ	9/12/06	B	668,666	\$99,999.90	\$64,666.60	54.6392%	\$35,333.30	\$0.00	\$99,999.90	54.6392%
8	GH	DBSJ	9/12/06	B	166,666	\$24,999.90	\$16,166.60	54.6392%	\$8,833.30	\$0.00	\$24,999.90	54.6392%
9	LF	DBSJ	9/12/06	B	3,333	\$499.95	\$323.30	54.6392%	\$176.65	\$0.00	\$499.95	54.6392%
10	GO	DBSJ	9/12/06	B	300,000	\$45,000.00	\$29,100.00	54.6392%	\$15,900.00	\$0.00	\$45,000.00	54.6392%
11	DMV	DBSJ	9/12/06	B	46,666	\$6,999.90	\$4,536.60	54.6392%	\$2,473.30	\$0.00	\$6,999.90	54.6392%
12	RM3	DBSJ	9/12/06	B	60,000	\$9,000.00	\$5,820.00	54.6392%	\$3,180.00	\$0.00	\$9,000.00	54.6392%
13	ST	DBSJ	9/12/06	B	44,000	\$6,600.00	\$4,268.00	54.6392%	\$2,332.00	\$0.00	\$6,600.00	54.6392%
14	LGC	DBSJ	9/12/06	B	20,333	\$3,049.95	\$1,972.30	54.6392%	\$1,077.65	\$0.00	\$3,049.95	54.6392%
15	HLE	DBSJ	9/12/06	B	668,666	\$99,999.90	\$64,666.60	54.6392%	\$35,333.30	\$0.00	\$99,999.90	54.6392%
16	G8B	DBSJ	9/12/06	B	200,000	\$30,000.00	\$19,400.00	54.6392%	\$10,600.00	\$0.00	\$30,000.00	54.6392%
17	RK1	DBSJ	9/12/06	B	333,333	\$49,999.95	\$32,333.30	54.6392%	\$17,666.65	\$0.00	\$49,999.95	54.6392%
18	PC	DBSJ	9/12/06	B	200,000	\$30,000.00	\$19,400.00	54.6392%	\$10,600.00	\$0.00	\$30,000.00	54.6392%
19	DRS	DBSJ	9/12/06	B	6,666	\$999.90	\$646.60	54.6392%	\$353.30	\$0.00	\$999.90	54.6392%
20	DM	DBSJ	9/12/06	B	666,666	\$99,999.90	\$64,666.60	54.6392%	\$35,333.30	\$0.00	\$99,999.90	54.6392%
21	TTW	DBSJ	9/12/06	B	80,000	\$9,000.00	\$5,820.00	54.6392%	\$3,180.00	\$0.00	\$9,000.00	54.6392%
22	TAR	DBSJ	9/12/06	B	100,000	\$15,000.00	\$9,700.00	54.6392%	\$5,300.00	\$0.00	\$15,000.00	54.6392%
23	JWS	DBSJ	9/12/06	B	466,666	\$69,999.90	\$45,266.60	54.6392%	\$24,733.30	\$500.00	\$70,466.90	55.7437%
24	VMR	DBSJ	9/12/06	B	200,000	\$30,000.00	\$19,400.00	54.6392%	\$10,600.00	\$260.00	\$30,260.00	55.9278%
25	RM2	DBSJ	9/12/06	B	73,333	\$10,999.95	\$7,113.30	54.6392%	\$3,886.65	\$100.00	\$11,099.95	56.0450%
26	RDL	DBSJ	9/12/06	B	333,333	\$49,999.95	\$32,333.30	54.6392%	\$17,666.65	\$500.00	\$50,499.95	56.1856%
27	RAD	DBSJ	9/12/06	B	133,333	\$19,999.95	\$12,933.30	54.6392%	\$7,066.65	\$250.00	\$20,249.95	56.5722%
28	XZ	DBSJ	9/12/06	B	26,666	\$3,999.90	\$2,566.60	54.6392%	\$1,433.30	\$50.00	\$4,048.90	56.5722%
29	SH	DBSJ	9/12/06	B	20,600	\$3,090.00	\$1,988.20	54.6392%	\$1,081.80	\$60.00	\$3,140.00	57.1414%
30	CMH	DBSJ	9/12/06	B	17,333	\$2,599.95	\$1,681.30	54.6392%	\$918.65	\$50.00	\$2,648.95	57.6131%
31	RHG	DBSJ	9/12/06	B	233,333	\$34,999.95	\$22,633.30	54.6392%	\$12,366.65	\$1,000.00	\$35,999.95	59.0574%
32	YPI	DBSJ	9/12/06	B	11,000	\$1,650.00	\$1,067.00	54.6392%	\$583.00	\$50.00	\$1,700.00	59.3352%
33	BC	DBSJ	9/12/06	B	10,666	\$1,599.90	\$1,034.60	54.6392%	\$565.30	\$50.00	\$1,649.90	59.4720%
34	YJL	DBSJ	9/12/06	B	124,333	\$18,649.95	\$12,060.30	54.6392%	\$6,589.65	\$800.00	\$18,249.95	59.6142%
35	PIY1	DBSJ	9/12/06	B	35,333	\$5,299.95	\$3,427.30	54.6392%	\$1,872.65	\$175.00	\$5,474.95	59.7452%
36	FP	DBSJ	9/12/06	B	20,000	\$3,000.00	\$1,940.00	54.6392%	\$1,060.00	\$100.00	\$3,100.00	59.7938%
37	ML	DBSJ	9/12/06	B	20,000	\$3,000.00	\$1,940.00	54.6392%	\$1,060.00	\$100.00	\$3,100.00	59.7938%
38	SC	DBSJ	9/12/06	B	4,866	\$744.90	\$481.70	54.6392%	\$263.20	\$25.00	\$768.90	59.8291%
39	ZOS	DBSJ	9/12/06	B	19,866	\$2,949.90	\$1,907.60	54.6392%	\$1,042.30	\$100.00	\$3,049.90	59.8914%
40	MM	DBSJ	9/12/06	B	82,232	\$12,334.80	\$7,976.50	54.6392%	\$4,358.30	\$425.00	\$12,759.80	59.9873%

Exhibit B
Max International Broker-Dealer, Corp.

No.	Customer	Symbol	Trade Date	B/S	Amt of Shares	Principal Amount (\$0.18/eb)	Max's Cost (\$0.097/eb)	% Markup Based on Max's Cost	Undisclosed Markup (\$)	Disclosed Commission	Customer's Cost (Prin. Amt. + Comm.)	Total Remuneration to Max (% above firm's cost)
41	JW	DBSJ	9/12/06	B	66,666	\$9,999.90	\$8,466.60	54.6392%	\$3,533.30	\$350.00	\$10,349.90	60.0516%
42	WKS	DBSJ	9/12/06	B	45,000	\$6,750.00	\$4,365.00	54.6392%	\$2,385.00	\$250.00	\$7,000.00	60.3668%
43	SMC	DBSJ	9/12/06	B	18,000	\$2,700.00	\$1,746.00	54.6392%	\$964.00	\$100.00	\$2,800.00	60.3668%
44	RC	DBSJ	9/12/06	B	333,333	\$49,999.95	\$32,333.30	54.6392%	\$17,666.65	\$2,000.00	\$51,999.95	60.8247%
45	ZZ	DBSJ	9/12/06	B	66,666	\$9,999.90	\$6,466.60	54.6392%	\$3,533.30	\$400.00	\$10,399.90	60.9248%
46	JK	DBSJ	9/12/06	B	8,000	\$1,200.00	\$776.00	54.6392%	\$424.00	\$60.00	\$1,250.00	61.0828%
47	SL	DBSJ	9/12/06	B	8,000	\$1,200.00	\$776.00	54.6392%	\$424.00	\$60.00	\$1,250.00	61.0828%
48	KC	DBSJ	9/12/06	B	31,666	\$4,749.90	\$3,071.60	54.6392%	\$1,678.30	\$200.00	\$4,949.90	61.1504%
49	GL1	DBSJ	9/12/06	B	31,666	\$4,749.90	\$3,071.60	54.6392%	\$1,678.30	\$200.00	\$4,949.90	61.1504%
50	HPB	DBSJ	9/12/06	B	23,333	\$3,499.95	\$2,263.30	54.6392%	\$1,236.65	\$150.00	\$3,649.95	61.2667%
51	KH	DBSJ	9/12/06	B	10,133	\$1,519.95	\$962.70	54.6392%	\$557.05	\$70.00	\$1,589.95	61.7610%
52	TC	DBSJ	9/12/06	B	21,533	\$3,229.95	\$2,068.70	54.6392%	\$1,141.25	\$150.00	\$3,379.95	61.8207%
53	HMC	DBSJ	9/12/06	B	21,533	\$3,199.95	\$2,068.70	54.6392%	\$1,130.65	\$150.00	\$3,349.95	61.8880%
54	MXW	DBSJ	9/12/06	B	39,533	\$5,929.95	\$3,834.70	54.6392%	\$2,095.25	\$280.00	\$8,209.95	61.9408%
55	ZPO	DBSJ	9/12/06	B	48,333	\$7,399.95	\$4,785.30	54.6392%	\$2,614.65	\$350.00	\$7,749.95	61.9532%
56	GL2	DBSJ	9/12/06	B	88,333	\$14,749.95	\$9,538.30	54.6392%	\$5,211.65	\$700.00	\$15,449.95	61.9780%
57	YZW	DBSJ	9/12/06	B	98,333	\$14,749.95	\$9,538.30	54.6392%	\$5,211.65	\$650.00	\$14,300.00	62.0029%
58	RC2	DBSJ	9/12/06	B	91,000	\$13,650.00	\$8,827.00	54.6392%	\$4,823.00	\$400.00	\$8,599.90	62.1828%
59	DMF	DBSJ	9/12/06	B	54,666	\$8,199.90	\$5,302.60	54.6392%	\$2,897.30	\$2,500.00	\$11,549.95	62.3712%
60	RAH	DBSJ	9/12/06	B	333,333	\$49,999.95	\$32,333.30	54.6392%	\$17,666.65	\$500.00	\$10,499.90	62.3712%
61	FMD	DBSJ	9/12/06	B	73,333	\$10,999.95	\$7,113.30	54.6392%	\$3,886.65	\$500.00	\$10,499.90	62.3712%
62	SDC	DBSJ	9/12/06	B	66,666	\$9,999.90	\$6,466.60	54.6392%	\$3,533.30	\$500.00	\$10,499.90	62.3712%
63	YC	DBSJ	9/12/06	B	33,333	\$4,999.95	\$3,233.30	54.6392%	\$1,766.65	\$500.00	\$10,499.90	62.3712%
64	SLK	DBSJ	9/12/06	B	66,666	\$9,999.90	\$6,466.60	54.6392%	\$3,533.30	\$500.00	\$10,499.90	62.3712%
65	LL	DBSJ	9/12/06	B	33,333	\$4,999.95	\$3,233.30	54.6392%	\$1,766.65	\$500.00	\$10,499.90	62.3712%
66	JOS	DBSJ	9/12/06	B	66,666	\$9,999.90	\$6,466.60	54.6392%	\$3,533.30	\$500.00	\$10,499.90	62.3712%
67	JF	DBSJ	9/12/06	B	66,666	\$9,999.90	\$6,466.60	54.6392%	\$3,533.30	\$500.00	\$10,499.90	62.3712%
68	VG	DBSJ	9/12/06	B	66,666	\$9,999.90	\$6,466.60	54.6392%	\$3,533.30	\$500.00	\$10,499.90	62.3712%
69	JAK	DBSJ	9/12/06	B	46,666	\$6,999.90	\$4,526.60	54.6392%	\$2,473.30	\$350.00	\$7,349.90	62.3712%
70	EMB	DBSJ	9/12/06	B	13,333	\$1,999.95	\$1,263.30	54.6392%	\$706.65	\$100.00	\$2,089.95	62.3713%
71	MF	DBSJ	9/12/06	B	13,333	\$1,999.95	\$1,263.30	54.6392%	\$706.65	\$100.00	\$2,089.95	62.3713%
72	DRT	DBSJ	9/12/06	B	13,333	\$1,999.95	\$1,263.30	54.6392%	\$706.65	\$100.00	\$2,089.95	62.3713%
73	MHG	DBSJ	9/12/06	B	6,666	\$1,299.90	\$840.60	54.6392%	\$459.30	\$65.00	\$1,364.90	62.3717%
74	TPN	DBSJ	9/12/06	B	6,666	\$999.90	\$646.60	54.6392%	\$353.30	\$60.00	\$1,049.90	62.3719%
75	WK	DBSJ	9/12/06	B	3,333	\$499.95	\$323.30	54.6392%	\$176.65	\$25.00	\$524.95	62.3719%
76	RYC	DBSJ	9/12/06	B	32,948	\$4,941.90	\$3,196.76	54.6392%	\$1,746.14	\$250.00	\$5,191.90	62.4820%
77	YKC	DBSJ	9/12/06	B	10,333	\$1,549.95	\$1,002.30	54.6392%	\$547.65	\$100.00	\$1,649.95	64.6162%
					7,762,317	\$1,168,847.48	\$766,854.76	54.6392%	\$412,992.80	\$18,766.00	\$1,187,612.66	