

FINANCIAL INDUSTRY REGULATORY AUTHORITY

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REGISTRATION & DISCLOSURE

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

DISCIPLINARY PROCEEDING
No. 2007007989901

DAVID STEVEN FORMAN (CRD No. 1143810),

AND

MICHAEL ALAN ROSENBLATT (CRD No. 1322095),

RESPONDENTS.

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. From October 2004 through February 2005, David Steven Forman and Michael Alan Rosenblatt took control of a \$5,000,000 life insurance policy, sold the policy for approximately \$942,000, and retained the entire amount of the sale proceeds for themselves. They facilitated the sale by means of forged and falsified documents, and induced the former owner of the policy to sign certain documents in furtherance of the transaction by leading him to believe that the policy was being offered to potential buyers for his benefit. But they paid the former owner nothing. This course of conduct constitutes a violation of NASD Conduct Rule

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2110.

RESPONDENT AND JURISDICTION

David Steven Forman

2. On June 22, 1983, Forman first registered with FINRA as a General Securities Representative (Series 7). Thereafter, from December 18, 2001 to December 31, 2007, Forman was registered in that capacity through Private Consulting Group, Inc. (PCG).
3. Forman has not been associated with a member firm since December 31, 2007. Pursuant to Article V, Section 4 of the FINRA By-Laws, FINRA retains jurisdiction over Forman for the purposes of this Complaint in that the misconduct alleged herein occurred while he was associated with a member firm and that the filing of this Complaint occurred within two years of his last association with a member firm.

Michael Alan Rosenblatt

4. On December 19, 1984, Rosenblatt first registered with FINRA as a General Securities Representative (Series 7). Thereafter, on September 7, 2000, Rosenblatt became registered with a member firm as a General Securities Principal (Series 24).
5. From February 7, 2003 to June 29, 2007, he was registered in those capacities through PCG. Additionally, on June 20, 2008, he became registered as a Corporate Securities Representative (Series 62). From June 20, 2008 through October 15, 2008, Rosenblatt was registered in those same capacities with another member firm.

6. Rosenblatt has not been associated with a member firm since October 15, 2008.
Pursuant to Article V, Section 4 of the FINRA By-Laws, FINRA retains jurisdiction over Rosenblatt for the purposes of this Complaint in that the misconduct alleged herein occurred while he was associated with a member firm, and that the filing of this Complaint occurred within two years of his last association with a member firm.

CAUSE OF ACTION

Failure to Maintain High Standards of Commercial Honor and Just and Equitable
Principles of Trade
(NASD Conduct Rule 2110)

7. The Department realleges and incorporates by reference paragraphs 1-6 above.
8. In 1997, KS retained Forman and another individual (AG) to assist in estate planning and personal financial matters. In this regard, Forman and AG assisted KS and his wife NS in the drafting of their personal wills, as well as in the creation of various trusts and powers of attorney.
9. In December 2000, Forman and AG assisted KS and NS in the creation of a trust for estate planning purposes. NS was grantor and KS was trustee of the trust.
10. On December 19, 2000, Forman and AG sold the trust a \$5,000,000 policy issued by an insurance company (Insurance Company #1) on the life of NS. From January 2001 through January 2002, the trust paid premiums on the policy totaling \$501,400. After January 2002, the trust paid no additional premiums.
11. In September 2004, Insurance Company #1 sent notice to KS that the policy was in a grace period and would lapse by October 28, 2004 for failure to pay premiums. A copy of this notice was also forwarded to Forman at his employer member firm.

12. In October 2004, KS met with Forman and AG and discussed whether it was advisable for the trust to continue to pay premiums for the Policy in view of certain changes in the tax laws and other circumstances. They informed KS that the minimum premium to maintain the policy in force was \$54,650. Forman and AG also told KS that if the trust did not choose to maintain the insurance, it might obtain more money by selling the policy than by redeeming it for its cash value.
13. In the same meeting, Forman and AG advised KS that they would search for a buyer for the policy, but they did not provide KS with any estimate of a price that might be obtained. At no time did KS indicate that Forman or AG could retain the proceeds of any sale of the policy.
14. On October 29, 2004, Forman drew check [REDACTED] on the account of a corporation he owned, Voorhees Insurance Services, in the amount of \$21,100, payable to Insurance Company #1. He sent the check to Insurance Company #1 to avoid a lapse of the policy. KS did not know of or authorize this payment. He also did not know that the policy might be extended by the payment of an amount less than \$54,650—the amount quoted by Forman and AG as the minimum premium.
15. On November 2, 2004, Forman stopped payment on check [REDACTED]. Nevertheless, receipt of the cancelled check caused Insurance Company #1 to maintain the policy in force beyond the threatened cancellation date.
16. In early November 2004, Forman asked Rosenblatt, Forman's supervisor at his employer member firm, to look for a buyer for the policy.
17. On November 8, Rosenblatt informed Forman that two insurance companies were interested in purchasing the policy and that Forman should submit the required

documents. On the same day, Forman issued check [REDACTED] to replace cancelled check [REDACTED] to continue to maintain the policy in force. KS did not know of or authorize this payment.

18. On or about November 8, 2004, Rosenblatt told Forman that the policy could be sold for between \$250,000 and \$500,000. Neither Forman nor Rosenblatt shared this information with KS or NS at anytime.
19. On or about November 9, 2004, KS' signature was forged on a Change of Ownership Form providing for a transfer of ownership of the policy from the trust to Voorhees Insurance Services. The signature was affixed to the form without the knowledge or authorization of KS.
20. On December 28, 2004, Rosenblatt received an offer of \$930,000 for the policy from an insurance company (Insurance Company #2), and conveyed the offer to Forman.
21. On January 5, 2005, Rosenblatt sent several signature pages removed from insurance forms by facsimile from his office in New Jersey to KS in Chicago and asked for the signatures of KS and NS. Rosenblatt did not indicate to KS that he had received an offer to buy the policy, and KS believed that the signatures were needed to facilitate offering the policy to potential buyers. KS and NS signed the signature pages.
22. One of the documents included in the facsimile transmission was a release of medical information form that required the signature of NS and a witness.
23. On January 10, 2005, Forman and Rosenblatt falsified the release of medical information form, in that Rosenblatt, at the instigation of Forman, signed the form

as a witness to the signature of NS. Forman knew that Rosenblatt had not seen NS sign the form.

24. On February 2, 2005, Insurance Company #2 bought the policy for approximately \$942,000. Of that amount, \$32,500 was paid to Rosenblatt, and the rest was retained by Voorhees Insurance Services. No portion of the sale proceeds was paid to KS, NS or the trust.
25. The sale of the policy to Insurance Company #2 was facilitated in part by Forman's and Rosenblatt's representation of the forged Change of Ownership form and the falsified release of medical information form as properly completed documents.
26. By taking control of the policy, facilitating its sale with forged and falsified documents, and retaining the sale proceeds, Forman and Rosenblatt violated NASD Conduct Rule 2110.

RELIEF REQUESTED

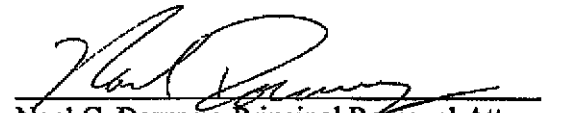
WHEREFORE, the Department respectfully requests that the Panel:

- 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; and

- 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.

FINRA DEPARTMENT OF ENFORCEMENT

Dated: February 10, 2009



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