

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20080116783 01**

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REGISTRATION DIVISION

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Charles Duff ("Duff")
General Securities Representative
CRD No. 4682320

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Charles Duff ("Duff" or "Respondent") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Duff hereby accepts and consents, without admitting or denying the findings, 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, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

1. Duff first became registered with FINRA as a General Securities Representative (GSR) through a member firm on August 7, 2003. From September 4, 2007 through November 11, 2008, Duff was registered with FINRA as a GSR through New Castle Financial Services, LLC ("New Castle" or the "Firm"), and his employment was terminated on November 10, 2008. Duff remains subject to FINRA's jurisdiction.
2. Duff has no disciplinary history.

OVERVIEW

3. From September 2007 through March 2008, Duff caused to be executed customer orders in, and thereby facilitated the distribution of, approximately 20 million shares of unregistered securities, in

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four stocks which were not exempt from registration under SEC Rule 144, in contravention of Section 5 of the Securities Act of 1933 (the "Securities Act"). Moreover, Duff failed to perform adequate searching inquiries to ensure that the securities were exempt from registration, freely-tradable and unrestricted.

4. By reason of the foregoing, Duff acted in contravention of Section 5 of the Securities Act, and accordingly, violated NASD Conduct Rule 2110.

FACTS AND VIOLATIVE CONDUCT

5. Section 5 of the Securities Act prohibits the sale of securities in interstate commerce without an effective registration statement, unless an exemption applies. Brokers act in contravention of Section 5 by offering or selling securities for which no registration statement is filed or in effect, through interstate commerce or the mails, where no exemption from registration is available.
6. Moreover, before selling unregistered securities, brokers have a duty under Section 5 of the Securities Act to conduct a searching inquiry to determine whether or not the securities are exempt from registration. Specifically, a broker

"[w]ho offers to sell, or is asked to sell, a substantial amount of securities must take whatever steps are necessary to be sure that this is a transaction not involving an issuer, person in a control relationship with an issuer or an underwriter. For this purpose, it is not sufficient for him merely to accept 'self-serving statements of his sellers and their counsel without reasonably exploring the possibility of contrary facts.'¹

* * *

"[W]hen a dealer is offered a substantial block of a little-known security . . . , or where the surrounding circumstances raise a question as to whether or not the ostensible sellers may be merely intermediaries for controlling persons or statutory underwriters, then searching inquiry is called for."²

¹ *Distribution by Broker-Dealers of Unregistered Securities*, SEC Release No. 4445, 1962 SEC LEXIS 74, at *4 (Feb. 2, 1962) (citations omitted).

² *Id.*

7. Accordingly, a broker may not rely solely on other parties, such as clearing firms, transfer agents, or issuers' counsel, to determine that the unregistered securities transaction does not constitute an unregistered distribution and that the securities are exempt from registration, freely-tradable and unrestricted.
8. From September 2007 through March 2008 (the "relevant period"), Duff, using instrumentalities of interstate commerce, caused to be executed customer orders in, and facilitated the distribution of, approximately 20 million shares of unregistered securities in four stocks, and failed to establish that these securities or transactions were exempt from registration.
9. Duff knew that DB had been convicted of two counts of criminal securities fraud in 1998 involving manipulation of bio-tech stocks, and had been barred in 2000 by the SEC from associating with any broker or dealer. Furthermore, Duff knew that DB had been the subject of a class action suit alleging that he had orchestrated a series of sham transactions through various devices of deception and deceit to artificially inflate and maintain the price of a security.
10. Duff knew that the customers selling the unregistered securities were associated with DB, and that DB and/or DB related customers were affiliated with, consultants for and/or had controlling interest in, the issuers and/or had other financial relationships with the issuers.
11. The sales transactions that Duff effected involved substantial blocks of thinly traded, low-priced, bio-tech stocks. The stocks included Collexis Holdings ("CLXS"), Intellect Neuroscience, Inc. ("ILNS"), Stem Cell Innovations ("SCLL"), and Pluristem Life Systems, Inc. ("PSTI").
12. No registration statements were in effect for these securities. The issuers had been created through reverse mergers, whereby privately held companies acquired publicly-traded shell companies without registering the securities. The companies formed through the reverse mergers issued additional securities through private placements, which DB related customers then resold.
13. During the relevant period, as set forth below, DB related customers typically sold the securities by depositing physical certificates or electronically delivered shares of millions of securities into their New Castle accounts and, within a few days, selling the shares and wiring out the sale proceeds.

CLXS

14. Seven accounts at New Castle for DB related customers received from accounts at other brokerage firms and/or received directly from CLXS approximately 6 million unregistered shares. Within a few days, the accounts sold these shares. Duff failed to perform adequate searching inquiries for approximately 3.7 million of the unregistered shares sold by six of the accounts to ensure that the securities were exempt from registration, freely-tradable and unrestricted, and provided no evidence that these unregistered shares were exempt.

ILNS

15. Eight accounts at New Castle for DB related customers received from accounts at other brokerage firms and/or received directly from ILNS approximately 4.6 million unregistered shares. Within a few days, the accounts sold these shares. Duff failed to perform adequate searching inquiries for approximately 3 million of the unregistered shares sold by six of the accounts to ensure that the securities were exempt from registration, freely-tradable and unrestricted, and provided no evidence that these unregistered shares were exempt.

SCLL

16. Two accounts at New Castle for DB related customers received from accounts at other brokerage firms and/or received directly from SCLL over 4.11 million shares of unregistered shares. Within a few days, the accounts sold these shares. Duff failed to perform adequate searching inquiries for these 4.11 million unregistered shares to ensure that the securities were exempt from registration, freely-tradable and unrestricted, and provided no evidence that these unregistered shares were exempt.

PSTI

17. Seven accounts at New Castle for DB related customers received from accounts at other brokerage firms and/or received directly from PSTI approximately 12.1 million unregistered shares. Within a few days, the accounts sold these shares. Duff failed to perform adequate searching inquiries for approximately 9.5 million of the unregistered shares sold by two of the accounts to ensure that the securities were exempt from registration, freely-tradable and unrestricted, and provided no evidence that these unregistered shares were exempt.
18. The above-referenced pattern of trading, naming the receipt by DB related accounts at New Castle of large volumes of unregistered shares and the prompt sale of these shares, raised the question of whether the selling customers were acting as statutory underwriters and/or intermediaries for

controlling persons or statutory underwriters, and whether Duff was thereby facilitating the unregistered distribution of these securities. These circumstances should have alerted Duff that he needed to make thorough searching inquiries and take necessary steps to ensure that the transactions did not involve distributions of unregistered securities and/or restricted securities.

19. However, on the question of whether the securities were exempt from registration and freely-tradable and unrestricted, Duff relied (a) upon statements from DB and the DB related customers and/or their counsel, (b) upon the issuance by transfer agents of certificates without restrictive legends, and (c) upon the clearing firm's placement of the securities in a particular trading status.
20. Duff should not have relied upon these other parties to ensure that the securities were exempt from registration, freely-tradable and unrestricted, but should have made thorough searching inquiries and independently investigated for the possibility of contrary facts.
21. By reason of the foregoing, Duff acted in contravention of Section 5 of the Securities Act of 1933, and accordingly, violated NASD Conduct Rule 2110.

B. Duff also consents to the imposition of the following sanctions:

1. A suspension from associating with any FINRA member in any capacity for 30 business days; and
2. A fine of \$50,000, which includes partial disgorgement of \$25,000 in commissions that Duff received in connection with the unregistered transactions at issue.

Duff agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Duff has submitted an Election of Payment form showing the method by which he proposes to pay the fine imposed.

Duff specifically and voluntarily waives any right to claim that he is unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

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

Duff understands that if he is barred or suspended from associating with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended.

Accordingly, Duff may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

II.

WAIVER OF PROCEDURAL RIGHTS

Duff specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against him;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Duff specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Duff further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Duff understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and

until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;

- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against him; and
- C. If accepted:
1. this AWC will become part of Duff's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against him;
 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Duff's disciplinary record;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 4. Duff may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Duff may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Duff's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Duff may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Duff understands that he may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

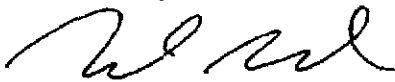
Duff certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce him to submit it.

Date

12/23/09

Charles Duff

Reviewed by:



Michael C. Farkas, Esq, PLLC
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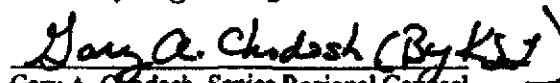
Accepted by FINRA:

11/8/10
Date

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



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