FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement, Complainant, v. Christopher Wynne (CRD No. 4055280), Respondent.	Disciplinary Proceeding No. 2013035533701 Hearing Officer - KBW **ORDER ACCEPTING OFFER OF SETTLEMENT**

Date: February 18, 2016

INTRODUCTION

Disciplinary Proceeding No. 2013035533701 was filed on April 8, 2015, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Christopher Wynne submitted an Offer of Settlement (Offer) to Complainant dated February 17, 2016. 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, Respondent has consented, without admitting or denying the allegations of the Complaint (as amended by the Offer of Settlement), 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 (as amended by the Offer of Settlement), and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

1. Respondent first became registered with FINRA as a General Securities Representative ("GS") through a member firm on November 3, 1999. Respondent was registered with FINRA through Meyers Associates, L.P. (BD No. 34171) ("Meyers"), as a GS, an IB and a General Securities Principal ("GP") from December 6, 2011 through April 17, 2013. Since April 19, 2013, Respondent has been registered with FINRA through another member firm.

2. Respondent is currently associated with a member firm and registered with FINRA and is therefore subject to FINRA's jurisdiction pursuant to Article V, Section 2 of the FINRA By-Laws.

3. When Meyers opened its Chicago Branch Office ("CBO"), it designated Respondent as the Branch Office Manager ("BOM"). Pursuant to Meyers' Written Supervisory Procedures ("WSPs"), Respondent, on behalf of Meyers, supervised Johnson, Mahalick and several other registered representatives in the CBO, and was responsible for a number of supervisory areas, including the supervision of all of the transactions and conduct at issue in this case.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:[1]

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[1] The findings herein are pursuant to Respondent Christopher Wynne's Offer of Settlement and are not binding on any other person or entity named as a respondent in this or any other proceeding.

4. This case involves myriad violations of the federal securities laws and FINRA's Rules.

5. With respect to Respondent, while employed at Meyers, Respondent (i) disseminated spurious "research" and sales materials; (ii) falsified firm records; and (iii) failed to supervise a registered representative of Meyers who (a) engaged in market manipulation, (b) also disseminated spurious research and sales materials; and (c) fraudulently failed to disclose material conflicts of interest in connection with the purchase and sale of a security.

6. Between May 15, 2012 and May 24, 2012, while Respondent was his designated supervisor, George Johnson manipulated the market for the common stock of IceWEB, Inc. (OTCBB: IWEB) by soliciting certain customers to buy, while soliciting other customers to sell, IWEB stock at increasingly higher and artificially inflated prices, frequently effecting matched orders among his own customers, in willful violation of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder and in violation of FINRA Rules 2020 and 2010.

7. Between February and May 2012, Respondent violated NASD Conduct Rules 2210 and 2711 and FINRA Rule 2010 by sending Meyers' customers third party research and sales materials concerning IWEB that were riddled with misleading, exaggerated and unsupported claims and failed to disclose material information.

8. Between July 18, 2012 and August 31, 2012, while Respondent was his designated supervisor, Johnson solicited customers to purchase shares of Snap Interactive, Inc. stock (OTCBB: STVI) while failing to disclose that he was simultaneously selling his and his wife's personal holdings of STVI, in willful violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and FINRA Rules 2020 and 2010.

9. Respondent, Johnson and Joseph Mahalick intentionally misidentified the broker of record on five account applications and over 100 order memoranda submitted to Meyers in a surreptitious attempt to cover up Johnson's violations of state registration requirements. As a result of this misconduct, Respondent caused Meyers to violate SEC Rules 17a-3(a)(6) and 17a-3(a)(17)(i)(A) and thereby violated FINRA Rules 4511 and 2010.

10. Respondent failed to supervise Meyers' Chicago Branch Office ("CBO") in general and Johnson in particular, by failing to review electronic correspondence, failing to supervise Johnson's IWEB and STVI trades, and by failing to supervise the dissemination of sales literature and research, in violation of NASD Conduct Rule 3010(a) and FINRA Rule 2010.

FACTS RELATING TO JOHNSON'S MARKET MANIPULATION AND FRAUDULENT OMISSIONS OF MATERIAL FACTS

11. The Department realleges and incorporates by reference paragraphs 1–10 above.

A. Market Manipulation Concerning IWEB

12. As set forth below, from May 15, 2012 through May 24, 2012, while Respondent was his designated supervisor, Johnson intentionally, or at least recklessly, solicited and placed orders to purchase and sell shares of IWEB that manipulated the volume and price of IWEB's stock, in violation of federal securities anti-fraud laws and FINRA Rules 2020 and 2010.

Background

13. IWEB manufactures and markets data storage products, custom built appliances, and cloud based software and services targeted for U.S. government agencies, enterprise companies, and small to medium sized businesses.

14. Johnson was first introduced to IWEB in 2010, when his employer was acting as a placement agent for IWEB. Since that time, Johnson participated as a broker in IWEB private

offerings and recommended IWEB to his customers in the open market. In addition, Johnson regularly communicated with J.S., who was IWEB's CEO, and D.C., who was an investor relations consultant for IWEB, concerning the company's stock performance and related matters.

15. By the time Johnson first began purchasing IWEB for his customers, the issuer had been having significant financial problems for several years. It had a string of annual losses from operations and by September 30, 2011 had an accumulated deficit of $34.3 million. Historically, IWEB's cash flow from operations was insufficient to fund its business, and it relied on the issuance of equity and short-term loans to finance its operations. Since at least 2009, its independent auditors have expressed in their annual audit opinions substantial doubt as to IWEB's ability to continue as a going concern.

16. In November 2011, IWEB issued warrants to three hedge funds (the "Warrants") in connection with a Securities Purchase Agreement. The exercise price of the Warrants was $0.17 per share, which, when exercised, was to be paid to IWEB. In January 2012, IWEB filed a registration statement covering 63,891,287 shares of its common stock, including 48,146,434 shares issuable upon the exercise of the Warrants.

17. Between February 9, 2012 and April 11, 2012, IWEB's shares traded between $0.12 and $0.1847 and average daily volume of approximately 324,465 shares. As of April 19, 2012, IWEB realized over $57,000 from the exercise of the Warrants.

The Manipulative Scheme

18. Between May 15, 2012 and May 24, 2012, Johnson engaged in a manipulative scheme, including prearranged trading, to inflate the market price and trading volume of IWEB. During this period, Johnson intentionally, or at least recklessly, placed orders to purchase and sell securities that manipulated the price of IWEB's stock.

19. Johnson carried out his portion of the scheme by systematically soliciting several customers, by email or by telephone, to buy IWEB shares, while soliciting other customers, by email or by telephone, to sell their IWEB shares, often pairing a solicited purchase by one customer with a solicited sale by another, at increasing and artificially inflated prices.

20. Between May 15 and May 24, 2012, Johnson's customers made 41 solicited sales totaling approximately 5,076,955 IWEB shares, and 50 solicited purchases of IWEB totaling approximately 5,152,200 shares.

21. Johnson's trades made up approximately 48% of the total market volume of IWEB from May 15 through May 24, 2012. Matched orders between Johnson's customers within Meyers totaled approximately 2,901,066 shares.

22. From May 15 to May 22, IWEB's closing price increased from $0.12 to $0.17, and then stabilized at $0.17 for the next two days.

23. Johnson stopped soliciting his customers to trade IWEB after the market closed on May 24, 2012, when Johnson first told Meyers about the PIPE offering for IWEB. This prompted Meyers to put the company on its restricted list, which prohibited Johnson from soliciting further purchases or sales of IWEB until the PIPE offering had concluded.

24. Set forth below is a chronology of Johnson's manipulative IWEB trades, communications with other participants in the scheme, and communications with Johnson's customers, which details how Johnson executed his portion of the scheme to manipulate IWEB's common stock.

25. Beginning on April 12, 2012, IWEB's stock price stagnated near $0.15. Between April 12 and April 25, average daily trading volume fell to approximately 202,102 shares.

26. On or about April 25, 2012, Johnson, J.S. and D.C. discussed how to spur an increase in IWEB's share price in order to trigger the exercise of additional Warrants that would result in additional capital for the company.

27. In addition, J.S. told Johnson that IWEB wanted to do a PIPE offering, using Meyers as the placement agent, to raise working capital for IWEB.

28. Johnson recommended that IWEB hire a stock promoter named T.S. to create and disseminate research concerning IWEB's stock to boost its trading volume and market price.

29. IWEB subsequently hired T.S. to produce a web-based "advertorial campaign" to be published on blogs and emailed to over a million email addresses. They agreed that the web campaign would begin on May 22, 2012 and end on May 25, 2012. The fee for the four-day campaign was $50,000.

30. On Tuesday, May 15, 2012, Johnson purchased 115,000 IWEB shares for customer B1 at $0.125. Only a week earlier, B1 had sold 105,000 IWEB shares at $0.135.

31. On Wednesday, May 16, 2012, Johnson began purchasing IWEB shares for customer K1. All told, Johnson purchased 256,600 IWEB shares for K1 between 9:32 a.m. and 3:24 p.m. at gradually increasing prices.

32. Johnson also emailed with T.S. concerning raising IWEB's share price to at least $0.17 to induce the exercise of the Warrants:

33. On Thursday, May 17, 2012, Johnson purchased an additional 185,000 IWEB shares for customer K1 at prices between $0.13 and $0.145 per share. This time Johnson spread out K1's purchases between 9:32 a.m. and 3:56 p.m.

34. The same day, Johnson purchased an additional 500,000 shares for B1 at $0.1425. Johnson filled the order by placing an identical sell order from customer L. The two orders were entered 30 seconds apart and executed simultaneously.

35. On the morning of Friday, May 18, 2012, Johnson purchased an additional 250,000 shares for B1 at $0.1425. Once again, Johnson filled the buy order by placing an identical sell order from customer L less than one minute later.

36. Between 10:11 a.m. and 10:17 a.m., Johnson placed three 25,000 share buy orders for B1 at $0.14 per share. However, Johnson received an email from Respondent stating that B1 "said no more. Stop where u r at." Johnson responded with the message "I only had 175 K more ... what happened?"

37. Since B1 declined to buy any more shares, Johnson solicited B2 to buy shares. Between 11:06 a.m. and 3:40 p.m., Johnson purchased 241,000 shares for B2 in four separate trades at $0.14.

38. Moreover, Johnson had another email exchange with T.S. that day concerning the scheme to boost the market price of IWEB's stock.

39. On Monday, May 21, 2012, Johnson's customer trading activity in IWEB quadrupled. Throughout the day Johnson purchased a total of 1,907,500 shares for certain customers while at the same time placing sell orders for other customers totaling 1,276,445 shares.

40. In addition, customer B2 purchased 414,228 IWEB shares through an account he had at Broker-Dealer A at prices between $0.145 and $0.154, raising the total number of shares purchased by Johnson's customers to 2,321,728. B2's Broker-Dealer A purchases included 195,000 shares of IWEB that were matched with sales by L from his account at Meyers.

41. Five of the buy orders placed by Johnson for his customers were filled, in whole or in part, by five matched sell orders also placed by Johnson for his customers. In an effort to control the supply, Johnson solicited customer K2 to sell his IWEB shares. On May 21, 2012, K2 sold 721,000 IWEB shares – 98% of his IWEB holdings – as a "favor" for Johnson.

42. K2's sales were used to fill three buy orders for another one of Johnson's customers, T. All told, the five matched orders accounted for 967,350 of the shares purchased by Johnson's customers that day.

43. In addition, on May 21, 2012, T.S. published his initial research report for IWEB (the "T.S. Report"), entitled "By Dumb LUCK I Just Discovered the PERFECT Tech Stock...In My Backyard!," and posted a link to it on Twitter.

44. Johnson contacted T.S. by email to discuss the web campaign and the impact it was having on the "action" in IWEB's stock. They also discussed the Warrants and the PIPE offering, with T.S. telling Johnson:

> WITH some of the PIPE money you raise...we can expand our program....this campaign is short lived and its **goal is to get stock into** the 20 cent range so [J.S.] can convert enough warrants to fill his war chest.
>
> ***
>
> You close your PIPE deal for them at. 17 on Thursday?
> Stock will be at .20 or more on Thursday...
> Bet you steak at Gibsons

45. Johnson's customer trading in IWEB on Tuesday, May 22, 2012 was comparable to the trading on May 21, 2012. Between the market open and 1:00 p.m., Johnson bought 1,162,000 IWEB shares for certain customers and placed sell orders for other customers totaling 1,621,000 shares. As the day before, five of the buy orders placed by Johnson were filled, in whole or in part, by five matched sell orders also placed by Johnson, accounting for 787,600 of

the shares purchased. Again, it appears that Johnson solicited three customers – K3, H2 and S – to sell their IWEB shares in order to control the 'supply' for his purchasing customers.

46. Most of Johnson's customer trades on May 22, 2012 were executed at $0.16. By setting the limit prices at $0.16 for the buyers and sellers, Johnson was effectively setting, and then maintaining, the $0.16 stock price. Johnson admitted this in an email to T.S. and J.S. in which he states, "Buy volume has dried up.... I've been supporting the .16 bid for the last two hours." J.S. responded, "[T.S.] said he doesn't start with the big guns til tomorrow and then Thursday."

47. Johnson's customer trades on Wednesday, May 23, 2012 were equally manipulative. The first two orders, entered at 9:31 a.m., were a sale of 100,000 shares from Johnson's wife's (K.J.) account at $0.17, and a sale of 20,000 shares from Wynne's personal account also at $0.17. Two minutes later, at 9:33 a.m., Johnson placed an order for C to purchase 160,000 shares at $0.17. C's buy order was filled with a portion of K.J.'s sell order and all of Wynne's 20,000 sell order.

48. At 9:39 a.m. Johnson emailed B2, "CALL ME ASAP!!!!!!!!!!!!!!!!!" Between 9:48 and 10:06 a.m., Johnson placed six sell orders from B2's Meyers account totaling 665,000 shares at prices between $0.17 and $0.178. The first and fourth of these sell orders were matched, in whole or in part, with two buy orders placed by B2 in his Broker-Dealer A account, *i.e.*, wash sales. The fifth and sixth sell orders were matched, in whole or in part, with two buy orders that Johnson placed for C at Meyers. The remainder of Johnson's trades were sales from B2's account.

49. All told, B2 purchased 450,000 shares in his Broker-Dealer A account that day, 174,000 of which were from his account at Meyers, while selling 896,500 from his account at Meyers.

50. Johnson's IWEB trades on Thursday, May 24, 2012 were confined to selling shares from B2's account. That morning, Johnson emailed Wynne with instructions to "Start peeling out [B2's] stock...don't hit an entire bid in full (ie if they are showing 50K, hit it for 40K...don't take out bids)." Respondent followed Johnson's instructions selling smaller quantities in an effort to keep up the bid price. Johnson sold 413,000 shares of IWEB for B2 in 10 trades at prices between $0.176 and $0.171.

51. Around the time of the last B2 sale, Johnson received T.S.'s next article concerning IWEB (the "T.S. Article") entitled "IceWeb (IWEB.OB)Wins Storage Hardware Product of the Year Award in the 2012 Data Centre Solutions Awards." Johnson then emailed T.S. to discuss IWEB's share price:

Johnson: What do you think?

T.S.: I think traders are heading out for long weekend...we have done all we can do on a small budget and pre holiday week...my orders were to get huge volume and .17 - .18 cents...for a pre holiday week this is about as good as we can do.

Johnson: .165 bid now...I need it at .17 to .18 for a couple of days at least.

T.S.: We brought 9 million shares of volume...it's holiday weekend...if we start again on Wed we can get it up there again but getting list rental is difficult on short notice...Why not cut the PIPE to .15 and be done with it?

Johnson: You did a great job buddy ... let's keep it going!

52. On May 24, 2012, Johnson also informed the President of Meyers of the impending PIPE offering of IWEB. The President of Meyers then emailed Meyers' Chief Compliance

Officer and requested that IWEB be placed on the Firm's restricted list due to a potential PIPE offering, and that a commitment call be scheduled for the next day to discuss the transaction.

53. On Friday, May 25, 2012, IWEB opened at $0.177. However, by 10:20 a.m. it had fallen to $0.16. Johnson, who was prohibited from soliciting purchases of IWEB, sent J.S. and D.C. a terse email asking "how about a little help."

54. D.C. responded, "Dude we bought 3.6 m this week," to which Johnson replied "TODAY IS VERY IMPORTANT!"

55. The stock price remained close to $0.16 until 2:20 p.m., and then gradually dropped throughout the day, closing at $0.134. After the market close, at 4:26 p.m., IWEB released a statement from the Board of Directors disclosing that the company's CEO, J.S., suddenly passed away that morning from a genetic heart condition.

* * *

56. In engaging in the conduct described above, Johnson artificially affected the market price and volume of IWEB stock.

57. Johnson's trades made up approximately 48% of the total market volume of IWEB from May 15 through May 24, 2012. This includes five consecutive days where Johnson's customers accounted for 50% or more of the total trading volume in IWEB. The average daily volume for Johnson's customers alone was 916,011 shares. This was 3.34 times the average trading volume of 273,944 shares for the entire market for IWEB during the 60-day period preceding the scheme. B2's purchases of IWEB at Broker-Dealer A increased further the volume of purchases accounted for by Johnson's customers.

58. After the scheme to manipulate the market for IWEB ended, IWEB's stock price continually declined, closing at .083 on August 31, 2012. The stock has since never recovered and is currently listed at .0004 per share. Eleven of the twelve customers experienced a net loss on the transactions. Total losses from shares purchased through Meyers exceeded $690,000.

B Fraudulent Omissions of Material Facts

59. On 11 occasions between July 18, 2012 and August 31, 2012, while Respondent was his designated supervisor, Johnson, through his or his wife's personal account, contemporaneously sold shares of stock of a company called Snap Interactive, Inc. (OTCBB: STVI) while soliciting his customers, by telephone calls, to purchase STVI. Johnson and his wife sold approximately 139,500 shares of STVI for approximately $181,857. Johnson generated gross commissions of $4,400 for Meyers from his customers' corresponding purchases of STVI.

60. In connection with each of the 11 solicitations to customers, Johnson intentionally, or at least recklessly, failed to disclose to customers that he or his wife were contemporaneously selling their shares. This information was material to his customers.

61. Four customers purchased 170,000 shares of STVI on days where Johnson failed to disclose his or his wife's contemporaneous sales of their STVI shares. By April 30, 2013, the shares purchased by these four customers had declined in value substantially. As of April 30, 2013, these customers still held all of their STVI shares. As of April 30, 2013, their (unrealized) losses as a result of the adverse interest sales totaled over $120,000.

62. Johnson intentionally, knowingly or recklessly omitted to disclose material information that he had a duty to disclose. A registered representative owes a duty to his customers to disclose material information fully and completely when recommending an

investment. This includes disclosure of "adverse interests" such as self-interest that could influence a salesperson's recommendation.

63. The fact that a broker is contemporaneously selling stock in which he has a financial interest while recommending its purchase to customers is material information and the type of adverse interest that must be disclosed. Customers may not be deprived of the opportunity to question whether the broker had a genuine, objective belief that the investment was in the customer's best interest before effecting the transactions, and must be informed that, in furtherance of the broker's own self-interest, the broker is taking action contrary to the recommendation.

SECOND CAUSE OF ACTION

Violation of NASD Conduct Rules 2210(d)(1) and Rules 2711(h)(1)(C), and (h)(2)(A)(ii) and FINRA Rule 2010 Communications with the Public and Third Party Research Report Disclosures

64. The Department realleges and incorporates by reference paragraphs 1–63 above.

65. The manipulation of IWEB's stock coincided with the publication of the T.S. Report and the T.S. Article in connection with T.S.'s May 22 – 25, 2012 "advertorial campaign," which was intended "to get huge volume and .17 - .18 cents" for IWEB.

66. T.S. was not the first stock promoter recommended by Johnson to IWEB. Since at least January 2012, Johnson had been urging J.S. to hire other stock promoters to generate interest in IWEB's stock.

67. In January 2012, Johnson introduced J.S. to a stock promoter named J.F. J.F. had a blog that he published on websites such as JagNotes, SeekingAlpha and Small Cap Network.

68. In February 2012, IWEB hired J.F. Pursuant to his agreement with IWEB, J.F.'s primary responsibilities were to: (a) "[i]mplement a financial communications program for the purpose of broadening the company's shareholder base with expanded exposure to individual and institutional investors"; (b) "[d]evelop and disseminate a concise, impacting company profile on IWEB Inc. (IWEB) [and] write multiple reports;" and (c) "[w]ork to gain favorable analyst and media support; and develop and enhance market awareness."

69. J.F. was to be paid $6,000 per month plus 170,000 restricted IWEB shares for his services to IWEB.

70. Between February 29, 2012 and May 29, 2012, J.F. wrote seven reports concerning IWEB (the "J.F. Reports"), as follows:

Date	Title
2/29/12	IWEB - Turnaround Stock of the Year - A New Ballgame Begins.
3/8/12	More on the Turnaround Stock of the Year – A Best Idea for 2012
3/20/12	(IWEB) In the sweet spot of history's fastest ever growth trend
3/27/12	I call (IWEB) my "Turnaround Stock of the year" and I see multi-bag potential for this little company
4/24/12	Turnaround Stock of the Year bags another big order from one of the world's largest electronics manufacturer
5/16/12	Turnaround Stock of the Year Reports 49% Revenue Increase-Inflection point is now defined
5/29/12	Turnaround Stock of the Year Wins Storage Hardware Product of the Year

71. Respondent distributed copies of each of the J.F. Reports and the T.S. Report and Article to customers of Meyers by emailing copies of or links to the reports and the article as they were published by J.F. and T.S..

72. The number of customers to whom Respondent sent the J.F. Reports and T.S. Report and Article was at least 35 customers.

73. The J.F. Reports and T.S. Report and Article (collectively the "Reports") that Respondent disseminated to Meyers' customers were communications with the public. NASD Conduct Rule 2210(d)(1) governs the content standards applicable to all communications with the public prior to February 4, 2013.

74. Rule 2210(d)(1)(A) provides "All member communications with the public shall be based on principles of fair dealing and good faith, must be fair and balanced, and must provide a sound basis for evaluating the facts in regard to any particular security or type of security, industry, or service. No member may omit any material fact or qualification if the omission, in the light of the context of the material presented, would cause the communications to be misleading."

75. Rule 2210(d)(1)(B) provides "No member may make any false, exaggerated, unwarranted or misleading statement or claim in any communication with the public. No member may publish, circulate or distribute any public communication that the member knows or has reason to know contains any untrue statement of a material fact or is otherwise false or misleading."

76. Rule 2210(d)(1)(D) provides "Communications with the public may not predict or project performance, imply that past performance will recur or make any exaggerated or unwarranted claim, opinion or forecast."

77. The J.F. Reports and T.S. Report that Respondent disseminated to Meyers' customers are also third party research reports.

78. Pursuant to NASD Conduct Rule 2711(h)(13)(A), third party research reports must be accompanied by the disclosures required by, among other things, paragraphs 2711(h)(1)(C), Material Conflicts of Interest, and 2711(h)(2)(A)(ii), Receipt of Compensation.

79. In particular, Rule 2711(h)(1)(C) requires the disclosure of "any other actual conflict of interest of the research analyst of which the research analyst or member knows or has reason to know at the time of publication of the research report."

80. Rule 2711(h)(2)(A)(ii)(c) requires disclosure concerning whether the member or affiliate expects to receive or intends to seek compensation for investment banking services from the subject company in the next three months.

81. The J.F. Reports violate each of these standards and rules.

The Reports' Material Omissions of Conflicts of Interest and Risks Concerning IWEB's Business

82. With respect to material conflicts of interest, the J.F. and J.S. Reports omitted facts concerning receipt of compensation and/or the true purpose of the reports.

83. The J.F. Reports fail to disclose that IWEB was paying J.F. in cash and stock to write his reports.

84. The J.F. Reports also fail to disclose the fact that J.F. was writing the reports "for the purpose of broadening the company's shareholder base," *i.e.*, to generate buying in the market.

85. Likewise the T.S. Report and Article did not disclose the fact that their purpose was to generate "huge volume ... for IWEB" and temporarily raise the price of IWEB's stock to $0.17–$0.20.

86. The failure to disclose these material conflicts of interest make the Reports inherently misleading.

87. Moreover, by May 16, 2012, Respondent was aware that IWEB was intending upon doing a private offering using Meyers as the placement agent. Nevertheless, when sending the 5/16/12 and 5/29/12 J.F. Reports and the T.S. Report to Meyers' customers, Respondent failed to disclose that Meyers expected to receive or intended to seek compensation for investment banking services from IWEB in the next 3 months.

88. In addition, the Reports omit all disclosure of any material risks concerning IWEB's business.

89. IWEB's SEC filings filed during the period January 1, 2010 through May 29, 2012 disclosed that IWEB was subject to numerous risk factors that could negatively impact its business and operations, including:

a. Anticipated continuing losses that would result in significant liquidity and cash flow problems absent a material increase in revenues;

b. The need for additional financing in order to fund the company's ongoing operations and to continue as a going concern;

c. A highly competitive market dominated by larger companies with whom IWEB may not be able to compete; and

d. Substantial dependence on a limited number of customers with whom IWEB has no long-term agreements.

90. None of these or any other material risk factors were disclosed in any of the J.F. and TS Reports.

The Reports' Unwarranted,
Exaggerated and Misleading Statements

91. The Reports also contain numerous unwarranted, exaggerated and misleading statements, including: (i) unwarranted assertions concerning IWEB's purported "turnaround"; (ii) optimistic predictions concerning the performance of IWEB's stock; (iii) exaggerated claims concerning industry awards won by IWEB; and (iv) hyperbolic general assertions concerning the company and its products.

IWEB's Alleged "Turnaround"

92. The primary goal of the J.F. Reports was to create a picture of IWEB as a company experiencing an extraordinary "turnaround." Each report claims that a turnaround is underway and that new orders are "pouring in" and/or "surging." To buttress these claims, the J.F. Reports make various exaggerated and unbalanced statements concerning IWEB's quarterly "growth."

93. The 2/29/12 and 3/8/12 J.F. Reports contain a description of IWEB's "Quarterly Highlights and Recent Developments" for the first quarter of 2012 ("Q1 2012") that states: "Revenue increased 12% year-over-year. Revenue increased 362% in successive quarters. Operating expenses decreased 50% for the quarter compared to same quarter in FY 2011. Loss from operations decreased 61% in Q1 2012 vs. Q1 2011 and 73% less in successive quarters."

94. The 5/16/12 J.F. Report states that IWEB's 2012 second quarter ("Q2 2012") revenues increased by 49% from Q1 2012. Finally, the 3/20/12, 3/27/12 and 4/24/12 J.F. Reports proclaim, with no support, that "[s]urging orders and extremely high inquiry demand have produced significant increases in top line quarter-over-quarter growth" and that "[t]hat trend will continue through the end of the year."

95. The J.F. Reports' use of percentages to support a "turnaround" is misleading. IWEB's SEC filings show that the actual amount of the year-over-year quarterly revenue increase was only **$81,045**, with actual revenues of $758,898 for Q1 2012 and $677,853 for Q1 2011.

96. IWEB's Q1 2012 revenues increased by 362% from the fourth quarter of 2011 because the revenue for that quarter was only $164,182. In fact, IWEB's quarterly revenues for the earlier quarters — Q2 2011 and Q3 2011 — were higher than or the same as Q1 2012.

97. Similarly, while IWEB's quarterly revenue increased by 49% from Q1 2012 to Q2 2012, its quarterly revenue increased by 65% from Q1 2011 to Q2 2011. In other words, on a year-over-year basis, the second quarter results from 2012 were not better than the second quarter results for 2011.

98. Thus, the J.F. Reports' claims that quarterly results for Q1 and Q2 2012 show a "turnaround" are unwarranted and misleading.

Predictions Concerning IWEB's Stock

99. The Reports' predictions concerning the performance of IWEB's stock are also improper, unwarranted, and unsupported by any facts concerning IWEB.

100. The T.S. Report begins with the declaration of an "initial target of $2.25 [for IWEB] or 10X projected 2013 sales of $45 million." IWEB's actual sales were nowhere near that projection. IWEB's sales were $2,678,000 for 2011 and $1,892,000 for the first six months of 2012, *i.e.*, less than 10% (annualized) of the "projected 2013 sales."

101. T.S.'s target and projections are unsupported by any financial analysis of IWEB. Instead, T.S. points to acquisitions of companies with revenue of $50 million to $263 million,

and the data storage industry as a whole, to support his "projected 2013 sales" and "10X" revenues multiple. He also claims that the "feeding frenzy of buy-outs in this space" and IWEB's "lowest cost/highest performance open source storage software/hardware solution makes IceWeb a PRIME take out play—in our mind the only question is WHEN not IF."

102. Similarly, the T.S. Article makes the following exaggerated prediction: "Buy some shares and hold 'em forever...aka till this company is bought out by one of the Big 5 players who they are killing in the mid-tier storage world."

103. The J.F. Reports also predict that IWEB will eventually be acquired by a larger entity at a high multiple of revenues. The 2/29/12 J.F. Report contains a section titled "Storage sector M&A activity boils at big revenue multiples" that starts with the statement: "Looming in the background and favoring (IWEB) is the booming M&A activity in the storage industry. Acquisition multiples are running from 7 to 10 X revenue."

104. The section then discusses other acquisitions and buyouts involving Dell, HP, IBM, Oracle, NTAP, EMC and Intel. It concludes by stating **"The eventual exit-strategy for (IWEB) will be a takeout by a major... Bet on it!** (original emphasis)."

105. The remaining J.F. Reports contain similar discussions of M&A activity and make similar predictions. In fact, the 5/29/12 J.F. Report quotes the T.S. Report as support for this assertion.

106. The J.F. Reports also claim that an investment in IWEB has "multi-bag potential," meaning that the stock has the potential to increase three-fold or more. No reasonable basis is provided for this assertion.

107. All of the Reports' predictions concerning the performance of IWEB's stock are misleading and unwarranted with no basis in fact, as they use big-name companies and general industry demand in an attempt to inflate IWEB's stock price and/or sell IWEB on the prediction that it will be acquired by a larger company.

Industry Awards Won by IWEB

108. As to IWEB's "awards," the J.F. Reports repeatedly tout an award won by IWEB — the DCIG Industry Replication Software Award for 2012 — which IWEB allegedly won in February 2012. Specifically, the 2/29/12 J.F. Report states that IWEB won "the DCIG Industry Replication Software Award for 2012 competing against all the big guys, EMC, NetApp, et al." The 3/27/12 J.F. Report makes the identical assertion.

109. The J.F. Reports further represent that IWEB won the "#1 ranking in the DCIG 2012 Midrange Array Buyer's Guide over EMC, NetApp, IBM, HP, et al." The J.F. Reports assert that the "#1 ranking" and DCIG Award would result or had already resulted in significant sales.

110. In fact, the assertion that IWEB won the DCIG award is totally false. DCIG does not give "awards" and there was no "DCIG Industry Replication Software Award" for 2012 or any other year.

111. Similarly, the J.F. Reports' claim that IWEB won the "#1 ranking" in the DCIG 2012 Midrange Array Buyer's Guide is misleading. In DCIG's 2012 Midrange Array Buyer's Guide, IWEB's Unified Storage Appliances received the #1 ranking out of 53 products and were designated "best-in-class" in one category — Replication Software.

112. However, the Buyer's Guide scored and ranked six categories: (i) Overall; (ii) Array Management; (iii) Sphere Integration; (iv) Array Hardware; (v) Storage Networking; and

(vi) Replication Software. IWEB received an "Overall" ranking of 15th, a ranking of 12th in Array Management; a ranking of 19th in vSphere Integration; a ranking of 7th for Array Hardware; and a ranking of 28th for Storage Networking. The omission of these lower rankings made the J.F. Reports misleading.

113. The 5/29/12 J.F. Report and the T.S. Article also focus on an award *actually* won by IWEB in May 2012, the Data Centre Solutions ("DCS") 2012 award for "Hardware Product of the Year." Both make exaggerated or unsupported claims about the award and its significance to IWEB.

114. The 5/29/12 J.F. Report claims that this award "mark[s] a sea change, a pivotal event that's stunned the data storage industry" and that "with this hard to believe win a micro-cap blows away the huge established legacy players."

115. The T.S. Article claims that "Winning Best in Show with them is like an Oscar in the movie world" and "Because this award comes from the SAME IT people who BUY this kind of unified/unstructured data center hardware and software, this award WILL translate into a LOT of orders. How many—don't know…but a lot."

116. There are no facts discussed in the 5/29/12 J.F. Report or the T.S. Article that provide any basis for the highly exaggerated statements set forth above. In fact, for the two fiscal quarters following the announcement of the award, IWEB's revenues totaled $749,000, almost identical to the revenues for same quarters in the prior year. In other words, the award had no apparent impact on sales.

General Assertions Concerning IWEB

117. The T.S. Report also makes general assertions concerning IWEB that, on their face, are unwarranted, exaggerated and/or misleading:

a. "The ONE Tech Company in the VERY Right Place and The EXACT Right Time."

b. "IceWeb is perfectly positioned with a low cost/high efficiency unified data storage solution in the commoditized unstructured data storage market."

c. "Literally, if we could dream up the perfect technology stock for 2012 and the foreseeable future it would be [IWEB]."

d. "IceWeb is almost magically in the right place with the exactly right product at the right time."

e. "Sometimes it's better to be lucky than good...I'll take lucky and a few hundred thousand shares of IWEB any day."

118. Similarly, the T.S. Report and the T.S. Article make the following statements that are unsupported by a sound basis:

a. "[The] IWEB Storage System is a high-performance, unified storage system that offers one platform for file and block data of all kinds at the lowest cost per petabyte." [T.S. Report]

b. "IceWeb provides the cheapest storage box and more important the lowest cost/highest performance solution to public and private enterprise cloud data storage centers and to the FREE cloud data storage companies." [T.S. Report]

c. "[In] almost every case they are the LEAST expensive solution...up to 75% cheaper." [T.S. Report]

d. "Highest rated, lowest cost—THAT is why we LOVE IceWeb." [T.S. Report]

119. The J.F. Reports contain similar statements, such as:

a. "Unparalleled performance metrics." [2/29/12 and 3/8/12 J.F. Reports]

b. "Combined with IWEB's unmatched performance, high availability and our unbeatable price point make our systems a no-brainer for today's demanding enterprises." [3/20/12 J.F. Report]

c. "This company's breakthrough product line brings the absolute best features, the best performance, and the best price for unified data storage in cloud and virtual environments. It's an unbeatable sales offering." [4/24/12 and 5/16 J.F./12 Reports]

d. "(IWEB) has an unbeatable sales offering that a growing list of premier customers have selected." [5/29/12 J.F. Report]

120. All of the Reports are devoid of facts demonstrating that assertions set forth above are supported by a sound basis.

121. By reason of the foregoing, Respondent in distributing the J.F. and T.S. Reports to Meyers' customers, violated NASD Conduct Rules 2210(d)(1), 2711(h)(1)(C) and (h)(2)(A)(ii) and FINRA Rule 2010.

FIFTH CAUSE OF ACTION

Falsification of Firm Books and Records
FINRA Rules 4511 and 2010

122. The Department realleges and incorporates by reference paragraphs 1–121 above.

123. FINRA Rule 4511(a) provides that "Members shall make and preserve books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules."

124. SEC Rule 17a-3(a)(17)(i)(A) requires brokers-dealers to make an account record for each account with a natural person that contains information concerning the customer and that indicates "whether it has been signed by the associated person responsible for the account."

125. SEC Rule 17a-3(a)(6) requires broker-dealers to make a "memorandum of each brokerage order, and of any other instruction, given or received for the purchase or sale of

securities" showing, *inter alia*, "the identity of each associated person, if any, responsible for the account."

126. When the Johnson joined Meyers in December 2011, Johnson was the broker responsible for the accounts of customers B2, H2, K3, P, and T. However, he was not licensed in the states where these customers resided.

127. When Mahalick joined Meyers, he signed account applications of Johnson customers B2, H2, and K3 falsely indicating that he (not Johnson) was "the associated person responsible for the account."

128. In addition, when Respondent joined Meyers, he signed the account application of Johnson customers P and T, falsely indicating that he, not Johnson, was "the associated person responsible for the account."

129. During 2012, Johnson solicited or placed a total of over 100 trades, including trades involving shares of IWEB, for B2, H2, K3, P, or T. Each time, Respondent, who entered all of Johnson's orders, put down on the order memorandum that he or Mahalick, not Johnson, was the associated person responsible for the account.

130. Respondent was aware that Mahalick and Respondent were falsely listed as the associated person responsible for the account on order memoranda for B2, H2, K3, P, and T, and entered false information on over 100 order memoranda submitted to Meyers in order to cover up Johnson's violations of state securities registration requirements.

131. As a result of the forgoing, Respondent caused Meyers' books and records to be false.

132. By virtue of the foregoing conduct, Respondent caused Meyers to violate SEC Rules 17a-3(a)(6) and 17a-3(a)(17)(i)(A) and thereby violated FINRA Rules 4511 and 2010.

SIXTH CAUSE OF ACTION

Failure to Supervise — NASD Conduct Rule 3010(a) and FINRA Rule 2010

133. The Department realleges and incorporates by reference paragraphs 1–132 above.

134. Before it was superseded by FINRA Rule 3110(a) in December 2014, NASD Conduct Rule 3010(a) required firms to establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD and FINRA rules.

135. As noted above, when Meyers opened its CBO, it designated Respondent as the BOM. Pursuant to Meyers' WSPs, Respondent, on behalf of Meyers, supervised Johnson, Mahalick and several other registered representatives in the CBO, and was responsible for a number of supervisory areas, including the supervision of all of the transactions and conduct at issue in this case.

Failure to Review Email Correspondence

136. Respondent was required by Meyers' WSPs to review all of the CBO's email correspondence no later than 30 days from receipt/delivery and forward any correspondence that appears questionable to compliance for review.

137. However, during the entire time that Respondent was BOM, Meyers failed to provide Respondent with access to the Firm's Global Relay email review system. Accordingly, Respondent failed to review any emails while he was BOM.

138. As a result, Respondent failed to enforce Meyers' written procedures requiring that email correspondence be reviewed.

Failure to Supervise Johnson's IWEB Trades

139. Pursuant to Meyers' WSPs, as the BOM, Respondent also was required, on behalf of Meyers, to review all orders on a daily basis for, among other things, manipulative activities such as wash sales, pre-arranged trades, and cross transactions effected to support or maintain the market price of a security. Throughout the time he was BOM, Respondent entered all of Johnson's orders on Meyers' order entry system. As such, he was aware of Johnson's trades on a real-time basis.

140. From May 15–25, 2013, Respondent was confronted with numerous red flags that should have raised obvious concerns. He observed that the volume of Johnson's customer trading in IWEB had increased significantly. He became aware of numerous matched orders during a compressed time period in a thinly-traded security that had been performing poorly. He knew that Johnson was requesting that he send the T.S. and J.F. Reports to customers and that the reports were merely designed to hype IWEB's stock.

141. Despite the presence of these red flags, Respondent failed to take any supervisory action. He took no steps to investigate any of Johnson's customers' IWEB trades and did not question any instructions from Johnson. Moreover, as noted above, Respondent failed to review Johnson's email correspondence, including his emails with T.S. and IWEB. As result, Respondent failed to adequately supervise Johnson's trading in IWEB shares.

142. In addition, Respondent, failed reasonably to supervise Johnson's trading in IWEB shares with a view towards preventing Johnson's violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

Failure to Supervise Johnson's Sales of STVI

143. Meyers' WSPs treat adverse interests as a conflict of interest, stating: "When an RR is on the opposite side of a transaction from a customer, the RR may be considered to have an "adverse interest" in the transaction. The branch manager or other designated supervisor should require a disclosure on the customer's confirmation or a letter to the customer disclosing that an employee was on the opposite side of the transaction."

144. Respondent was aware that Johnson was selling his and his wife's shares of STVI while soliciting customers to purchase STVI. Nevertheless, Respondent did not require a disclosure on the customer's confirmation or a letter to the customer disclosing that an employee was on the opposite side of the transaction, or any other disclosure of the conflict of interest. Moreover, Respondent did not investigate whether Johnson disclosed to his customers the fact that he and his wife were selling their STVI shares. As result, Respondent, failed to adequately supervise Johnson's adverse interest sales of STVI.

145. In addition, Respondent, failed reasonably to supervise Johnson's trading in STVI with a view towards preventing Johnson's violations of the federal securities laws and the rules promulgated thereunder.

Failure to Supervise the Dissemination of Sales Literature and Research

146. Meyers' WSPs expressly provide that "RRs are not permitted to send communications that may be deemed 'research'" and that "All advertising and sales literature

material must be submitted to the Communications Principal for review and approval prior to use."

147. During the period February 2012 through May 2012, Respondent failed to ensure that Johnson was complying with FINRA's rules and Meyers' policies concerning sales literature and research.

148. By reason of the foregoing, Respondent violated NASD Conduct Rule 3010(a) and FINRA Rule 2010.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent 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 Respondent be

- barred from associating with any FINRA member in a principal capacity;
- suspended from associating with any FINRA member in any and all capacities for a period of 2 years; and
- fined $25,000.

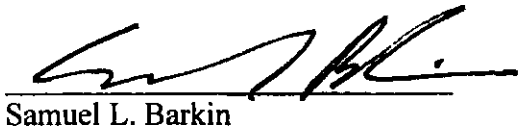
Respondent agrees to pay the monetary sanction(s) upon notice that this Offer has been accepted and that such payments are due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The sanctions herein shall be effective on a date set by FINRA staff. A bar or expulsion is effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

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



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