

NASD OFFICE OF HEARING OFFICERS

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DEPARTMENT OF ENFORCEMENT,		:	
		:	
	Complainant,	:	Disciplinary Proceeding
		:	No. C07050048
		:	
v.		:	
		:	Hearing Officer – Andrew H. Perkins
CHARLES W. NARON		:	
(CRD No. 2647163),		:	DEFAULT DECISION
		:	
	Respondent.	:	November 7, 2005
		:	

Respondent is barred from associating with any member in any capacity for participating in outside business activities without first providing his firm with written notice, in violation of NASD Conduct Rules 2110 and 3030.

Appearances

Joel R. Beck, Regional Counsel, Atlanta, GA, for the Department of Enforcement.

No appearance by or on behalf of the Respondent.

DECISION

I. Introduction

On June 28, 2005, the Department of Enforcement ("Enforcement") filed the attached Complaint against the Respondent Charles W. Naron ("Naron" or the "Respondent"). The Complaint alleges that, beginning before his employment and up until November 5, 2004, the Respondent was involved in an illegal business operation involving the importation of pharmaceutical drugs into the United States and the

subsequent sale of those drugs to consumers over the Internet. The Complaint further alleges that the Respondent failed to provide his employer, MWA Financial Services, Inc. ("MWA"), with written notice of these outside business activities, in violation of NASD Conduct Rules 2110 and 3030.

The Respondent did not answer or otherwise respond to the Complaint. Consequently, on September 19, 2005, Enforcement filed Complainant's Motion for Entry of Default Decision ("Motion"), supported by the sworn declaration of Joel R. Beck ("Beck Decl.") and three exhibits. The Respondent did not respond to the Motion.

For the reasons discussed below, the Hearing Officer grants Enforcement's Motion.

II. Respondent's Default

On June 23, 2005, Enforcement served the Complaint and Notice of Complaint on the Respondent by certified and first-class mail sent to his current residential address shown in the Central Registration Depository (the "CRD address") and to an address discovered during the investigation of this matter (the "forwarding address").¹ The Respondent did not file an Answer. Thus, on July 25, 2005, Enforcement served the Complaint and Second Notice of Complaint on the Respondent by certified and first-class mail sent to the Respondent at his CRD address and the forwarding address.² The Respondent did not file an Answer in response to the Second Notice of Complaint.

¹ Beck Decl. ¶ 7.

² *Id.* ¶ 9.

The evidence shows that Enforcement properly served the Respondent with the Complaint by mailing it to his CRD address.³ Thus, the Respondent received valid constructive notice of this proceeding and defaulted by failing to answer the Complaint. Accordingly, pursuant to Procedural Rules 9215(f) and 9269(a)(2), the Hearing Officer finds the Respondent in default and deems the allegations in the attached Complaint admitted.

III. Jurisdiction

Article V, Section 4(a) of the NASD By-Laws provides for a two-year period of retained jurisdiction over formerly registered persons who are no longer associated with any member firm. During this period of retained jurisdiction, the NASD may file a complaint against such persons based upon conduct that occurred before their registrations terminated. The two-year period of retained jurisdiction runs from the effective date of termination of registration.

Naron was associated with MWA, an NASD member firm, beginning on September 3, 2004, and was registered as an Investment Company and Variable Contract Products Representative from October 1, 2004, until November 12, 2004.⁴ The misconduct alleged in the Complaint occurred while Naron was registered with MWA, and Enforcement filed the Complaint on June 28, 2005, within two years of the date his registration terminated. Accordingly, the Hearing Officer finds that NASD has jurisdiction of this proceeding.

³ *Department of Enforcement v. Reynolds Verdiner*, No. CAF020004, NASD 2003 NASD Discip. LEXIS 42, at *5 (N.A.C. Dec. 9, 2003) (NASD Procedural Rule 9134(b)(1) allows for constructive notice by mailing a complaint to the respondent's most recent CRD address) quoting *Lubeck v. SEC*, 1998 U.S. App. LEXIS 18849, at *20 (9th Cir. Aug. 12, 1998).

⁴ Beck Decl. ¶ 4; Ex. 1, at 2.

IV. Findings of Fact and Conclusions of Law

NASD Conduct Rule 3030 provides that no person registered with a member “shall be employed by, or accept compensation from, any other person as a result of any business activity ... outside the scope of his relationship with his employer firm, unless he has provided prompt written notice to the member ... in the form required by the member.” The purpose of Conduct Rule 3030 is to provide member firms with an opportunity to raise any objections to such activities at a meaningful time and to exercise appropriate supervision as necessary under applicable law.⁵ Conduct Rule 3030 requires disclosure of all outside business activity, not just securities-related activity.⁶

The Complaint alleges that, beginning in December 2002, and up until at least November 5, 2004, Naron was involved in, and compensated by, an illegal business known as MyRxForLess, LLC (“MyRxForLess”), that imported and sold pharmaceutical drugs to customers over the internet.⁷ The Complaint further alleges that Naron failed to provide MWA written notice of these activities.⁸ In addition, he completed an outside business activity form for MWA on September 2, 2004, on which he did not disclose his involvement with MyRxForLess.⁹

⁵ *Proposed Rule Change by NASD Relating to Outside Business Activities of Associated Persons*, Exchange Act Release No. 26,063, 1988 SEC LEXIS 1841 (Sept. 6, 1988), adopted at Exchange Act Release No 26,178, 1988 SEC LEXIS 2032 (Oct. 13 1988).

⁶ *District Bus. Conduct Comm. v. Cruz*, No. C8A930048, 1997 NASD Discip. LEXIS 62, at *96 (N.B.C.C. Oct. 31, 1997).

⁷ Compl. ¶¶ 4-7. According to correspondence NASD received from Naron, he received approximately \$20,000 per month from his involvement with MyRxForLess. Beck Decl. ¶ 14.

⁸ Compl. ¶ 7.

⁹ Beck Decl. ¶ 15.

Furthermore, the record shows that Naron pled guilty to criminal charges filed by the United States Department of Justice for his activities with MyRxForLess.¹⁰ Naron informed NASD that he would be sentenced to prison under his plea agreement.¹¹

Based on the foregoing evidence, the Hearing Officer finds that Naron violated NASD Conduct Rules 3030 and 2110.

V. Sanctions

The Guidelines governing outside business activities recommend a fine of \$2,500 to \$50,000 and a suspension of up to 30 business days where there are no aggravating circumstances.¹² When the outside business activities involve aggravating conduct, the Guidelines provide for a longer suspension of up to one year. Finally, in egregious cases, the Guidelines provide for a bar.¹³

NASD adopted Rule 3030 to prevent harm to the investing public and to limit member firms' entanglements in legal difficulties that can result from unsupervised outside business activities, which may be unrelated to the securities industry.¹⁴ In light of these important protective goals, engaging in unreported outside business activities is considered a serious violation. Viewed with these protective goals in mind, the Hearing Officer concludes that this case involved an egregious violation because Naron's outside

¹⁰ Beck Decl. ¶ 18.

¹¹ *Id.* ¶ 17.

¹² NASD SANCTION GUIDELINES 14 (2005 ed.).

¹³ *Id.*

¹⁴ See Notice to Members 88-86, 1988 NASD LEXIS 207 (Nov. 1988). See also, e.g., *District Bus. Conduct Comm. v. Micah C. Douglas*, Nos. C06920046 and C06930068, 1995 NASD Discip. LEXIS 217, at *18 (N.A.C. Sept. 19, 1995). Rule 3030 requires disclosure of all outside business activity, not just securities-related activity. (*District Bus. Conduct Comm. v. Cruz*, No. C8A930048, 1997 NASD Discip. LEXIS 62, at *96 (N.B.C.C. Oct. 31, 1997)).

business activities were illegal. Without question, WMA would have wanted to review Naron's business activities before they employed him because they call into question his business ethics and honesty. In addition, the Hearing Officer infers from the evidence that Naron intentionally withheld information about his association with MyRxForLess. Naron had disclosed other outside business activities, but he withheld information about MyRxForLess.¹⁵

Accordingly, for the foregoing reasons, the Hearing Officer agrees with Enforcement's recommendation that a bar is the appropriate sanction under the facts and circumstances of this case.

VI. Order

Charles W. Naron is barred from associating with any member firm in any capacity. The bar shall become effective immediately if this Decision becomes the final disciplinary action of NASD.



Andrew H. Perkins
Hearing Officer

Copies to:

Charles W. Naron (by FedEx overnight delivery and first-class mail)
Joel R. Beck, Esq. (by electronic and first-class mail)
Rory C. Flynn, Esq. (by electronic and first-class mail)

¹⁵ Beck Decl. ¶ 15.

**NASD
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

Charles W. Naron
Investment Company and Variable Contracts
Products Representative
CRD No. 2647163

Respondent.

Disciplinary Proceeding
No. C07050048

Hearing Officer -

COMPLAINT

Upon information and belief, Complainant alleges as follows:

1. Respondent Charles W. Naron entered the securities industry in approximately July 1995. His most recent registrations with an NASD member were terminated on November 12, 2004. Naron is not currently registered with an NASD member; however, he remains subject to NASD's jurisdiction pursuant to Article V, Section 4 of the NASD By-Laws.

**FOR A CAUSE OF COMPLAINT
Participation in an Undisclosed Outside Business Activity
NASD Conduct Rules 3030 and 2110**

2. Paragraph one is realleged and incorporated herein by reference.
3. Respondent Naron was registered with NASD member MWA Financial Services, Inc. from on or about October 1, 2004, to on or about November 12, 2004.
4. Beginning in about December 2002, prior to his association and registration with MWA, Naron was involved in an illegal business operation involving the importation

of pharmaceutical drugs into the United States and the subsequent sale of those drugs to consumers over the internet.

5. Naron's involvement in this activity, through an entity known as MyRxForLess, LLC, continued while he was registered with MWA, through at least November 5, 2004.
6. Naron was compensated for his involvement with MyRxForLess.
7. Naron did not provide MWA with written notice of his involvement with MyRxForLess and did not otherwise disclose this outside business activity to the firm.
8. Ultimately, Naron was criminally charged by the United States Department of Justice for violations of federal criminal laws involving his activities with MyRxForLess, to which he pled guilty.
9. Respondent Naron's failure to provide prompt written notice of his outside business activity constitutes separate and distinct violations of NASD Conduct Rules 3030 and 2110.

PRAYER FOR RELIEF

WHEREFORE, Complainant respectfully requests:

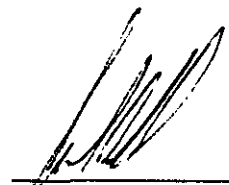
- A. Findings of fact and conclusions of law that the Respondent committed the violations charged and alleged herein;
- B. An order imposing sanctions upon the Respondent in accordance with NASD Rule 8310.
- C. An order imposing such costs of any proceeding as are deemed fair and appropriate under the circumstances in accordance with NASD Rule 8330; and

D. An order imposing any other fitting sanction.

June 23, 2005.



R. Scott DeArney, Associate Director
Atlanta District Office



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