

**NASD
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

V.

ELANGOVAN SURENDRAN
CRD No. 2658729

Respondent.

Disciplinary Proceeding
No. C9B050008

Hearing Officer _____

COMPLAINT

Upon information and belief, Complainant alleges the following:

1. Respondent Elangovan Surendran ("Surendran") became registered with NASD as a Series 7 general securities representative on September 15, 1995; and registered as a Series 24 general securities principal on September 16, 2002. From in or about August 1995 through in or about December 2003, Surendran was registered with Continental Broker Dealer, Inc. ("Continental"). Continental was an NASD member firm from November 1983 until May 2004, when it was expelled from membership as a result of an NASD disciplinary action.
2. From in or about December 2003 through in or about March 2004, Surendran was registered with GunnAllen Financial, a NASD member firm. Surendran has not worked for another member firm since his voluntary termination from GunnAllen Financial on March 31, 2004; however, NASD retains jurisdiction over Surendran until at least March 30, 2006, pursuant to Article V, Section 4, of NASD's By-Laws.

FIRST CAUSE OF ACTION

CHURNING

Violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, NASD Conduct Rules 2110 and 2120 and IM-2310-2

3. Paragraphs 1 and 2 are realleged and are incorporated by reference herein.

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4. In or about December 2002, customer M.K. opened a securities account [REDACTED] at Continental after receiving a "cold call" from Surendran. Surendran served as the registered representative for the account from its inception until it was closed in or about August 2003. [REDACTED] initially deposited \$2,200 in the account in December, and made additional account deposits of approximately \$33,000 between January and July 2003.

5. At the time M.K. opened his account at Continental, he was employed as an electronic mechanical assembler and earned an annual income of approximately \$50,000. M.K. had limited prior investment experience and no prior experience with margin or options. When he opened the account, M.K. was seeking growth with limited risk. M.K. relied on Surendran's investment advice.

6. From in or about December 2002 through in or about July 2003, Surendran, while exercising effective control over customer M.K.'s account, effected or caused to be effected approximately 140 securities transactions in M.K.'s account as more fully detailed in Schedule A attached to this Complaint and incorporated herein by reference. Many of the transactions involved options.

7. The transactions referred to in paragraph 6 above were excessive. Customer M.K.'s account had an average monthly equity of approximately \$14,876. From in or about December 2002 through in or about July 2003, M.K. paid approximately \$15,876 in commissions and margin expenses. This resulted in an annualized Cost-To-Equity Ratio (converted to percentage) of approximately 160%, and an annualized Commission-To-Equity Ratio of approximately 102%. Accordingly, the account would have had to earn a 160% return just to break even. Moreover, the annualized Turnover Ratio, which excludes option purchases, was approximately 41.

8. M.K. lost approximately \$14,000 in his Continental account during that period.

9. As part of this course of conduct, Surendran, directly or indirectly, by the use of the means or instrumentalities of interstate commerce or of the mails, knowingly or recklessly used or employed, in connection with the purchase or sale of securities, manipulative or deceptive devices or contrivances; and knowingly or recklessly effected transactions in, or induced the purchase or sale of, securities by means of manipulative, deceptive or other fraudulent devices or contrivances.

10. As a result of this conduct, Surendran violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and NASD Conduct Rules 2110 and 2120 and IM-21310-2.

SECOND CAUSE OF ACTION

UNSUITABLE TRANSACTIONS

(Violation of NASD Conduct Rules 2110, 2310 and 2860(b)(19) and IM-2310-2)

11. Paragraphs 1 through 10 are realleged and are incorporated by reference herein.

12. From in or about December 2002 through in or about July 2003, Surendran, while exercising effective control over customer M.K.'s account [REDACTED] recommended to M.K. approximately 140 securities transactions involving equities and options, as more fully detailed on Schedule A attached hereto and incorporated herein by reference, without having reasonable grounds for believing that such transactions were suitable for M.K. in view of the size and frequency of the transactions, the nature of the account and his financial situation, investment objectives and needs.

13. The transactions referred to in paragraph 12 above were excessive. Customer M.K.'s account had an average monthly equity of approximately \$14,876. From in or about December 2002 through in or about July 2003, M.K. paid approximately \$15,876 in commissions and margin expenses. This resulted in an annualized Cost-To-Equity Ratio (converted to percentage) of approximately 160%, and an annualized Commission-To-Equity

Ratio of approximately 102%. Accordingly, the account would have had to earn a 160% return just to break even. Moreover, the annualized Turnover Ratio, which excludes option purchases, was approximately 41.

14. During the relevant time period, Surendran also recommended to customer M.K. numerous purchase and sale transactions resulting in M.K.'s account having concentrated positions in speculative securities, without having reasonable grounds for believing that such transactions were suitable.

15. Surendran effected many of the transactions referred to in paragraph 12 above through the use of margin. This resulted in M.K. paying approximately \$700 in margin interest and incurring an average monthly margin debit balance of approximately \$17,321. The margin utilized by Surendran leveraged M.K.'s account on average by approximately 116%.

16. The margin utilized by Surendran was unsuitable for M.K. in view of the size and nature of the account and M.K.'s financial situation and needs.

17. As a result of this conduct, Surendran violated NASD Conduct Rules 2110, 2310 and 2860(b)(19) and IM-21310-2.

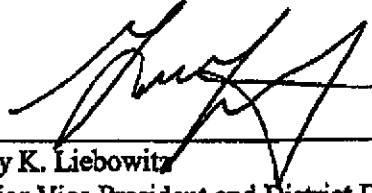
PRAYER FOR RELIEF

WHEREFORE, Complainant respectfully requests:

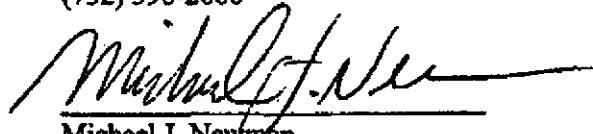
- A. Findings of fact and conclusions of law that Surendran committed the violations charged and alleged herein;
- B. An order requiring Surendran to disgorge fully any and all ill-gotten gains and/or make full or complete restitution, together with prejudgment interest;
- C. An order imposing appropriate sanctions upon Surendran in accordance with NASD Procedural Rule 8310;

- D. An order imposing such costs of any proceeding as are deemed fair and appropriate under the circumstances in accordance with NASD Procedural Rule 8330; and
- E. An order granting all further relief that is warranted under the circumstances.

Dated: January 27, 2005



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EXHIBIT A - TRADES IN MK'S ACCOUNT
DECEMBER 2002 THROUGH JULY 2003

#	Date	Security Name	Buy/Sell	Quantity	Price	Transaction Type	Debit	Credit
1	12/9/2002	ORACLE CORP	BUY	200	\$11.14	COMMON STOCK	\$2,248.00	
2	12/16/2002	ORACLE CORP	BUY	2	\$0.95	OPTIONS	\$265.00	
3	12/16/2002	ORACLE CORP	SELL	2	\$1.80	OPTIONS		\$284.98
4	1/9/2003	MICRON TECHNOLOGY INC	SELL	1	\$2.25	OPTIONS		\$149.99
5	1/9/2003	MICRON TECHNOLOGY INC	BUY	1	\$1.70	OPTIONS	\$245.00	
6	1/13/2003	MICRON TECHNOLOGY INC	BUY	200	\$10.29	COMMON STOCK	\$2,098.40	
7	1/16/2003	QLOGIC CORP	BUY	5	\$0.85	OPTIONS	\$500.00	
8	1/21/2003	QLOGIC CORP	BUY	500	\$42.26	COMMON STOCK	\$21,170.00	
9	1/21/2003	QLOGIC CORP	SELL	5	\$4.20	OPTIONS		\$1,955.25
10	1/21/2003	QLOGIC CORP	SELL	1	\$11.70	OPTIONS		\$1,084.34
11	1/21/2003	QLOGIC CORP	BUY	4	\$2.60	OPTIONS	\$1,153.26	
12	1/24/2003	ORACLE CORP	BUY	2	\$1.85	OPTIONS	\$395.00	
13	1/24/2003	ORACLE CORP	SELL	2	\$0.30	OPTIONS		\$35.00
14	1/24/2003	MICRON TECHNOLOGY INC	BUY	1	\$1.35	OPTIONS	\$160.00	
15	1/24/2003	MICRON TECHNOLOGY INC	SELL	1	\$2.05	OPTIONS		\$180.00
16	1/24/2003	QLOGIC CORP	BUY	1	\$12.60	OPTIONS	\$1,285.00	
17	1/24/2003	QLOGIC CORP	SELL	4	\$1.55	OPTIONS		\$595.00
18	1/28/2003	ORACLE CORP	SELL	100	\$12.17	COMMON STOCK		\$1,177.06
19	1/28/2003	ORACLE CORP	SELL	100	\$12.16	COMMON STOCK		\$1,215.96
20	1/28/2003	MICRON TECHNOLOGY INC	SELL	200	\$8.61	COMMON STOCK		\$1,681.94
21	1/28/2003	QLOGIC CORP	SELL	100	\$36.73	COMMON STOCK		\$3,632.98
22	1/28/2003	QLOGIC CORP	SELL	100	\$36.73	COMMON STOCK		\$3,672.88
23	1/28/2003	QLOGIC CORP	SELL	300	\$36.69	COMMON STOCK		\$11,006.66
37	1/31/2003	QLOGIC CORP	SELL	1	\$12.90	OPTIONS		\$1,201.92
38	1/31/2003	QLOGIC CORP	BUY	4	\$3.10	OPTIONS	\$1,357.30	
39	2/4/2003	QLOGIC CORP	BUY	500	\$36.02	COMMON STOCK	\$18,050.00	
40	3/10/2003	QLOGIC CORP	SELL	4	\$0.75	OPTIONS		\$224.99
41	3/10/2003	NOKIA CORP SPONSORED ADR	SELL	3	\$7.70	OPTIONS		\$2,181.12
42	3/12/2003	NOKIA CORP SPONSORED ADR	BUY	300	\$12.76	COMMON STOCK	\$4,015.60	
43	3/24/2003	TELLABS INCORPORATED	SELL	20	\$1.70	OPTIONS		\$3,096.51
44	3/26/2003	TELLABS INCORPORATED	BUY	2000	\$6.65	COMMON STOCK	\$13,349.00	
45	3/31/2003	NOKIA CORP SPONSORED ADR	BUY	2	\$9.90	OPTIONS	\$2,005.00	
46	3/31/2003	NOKIA CORP SPONSORED ADR	SELL	3	\$5.50	OPTIONS		\$1,534.46
47	4/1/2003	NOKIA CORP SPONSORED ADR	SELL	100	\$5.00	COMMON STOCK		\$410.03
48	4/1/2003	TELLABS INCORPORATED	BUY	20	\$1.40	OPTIONS	\$2,864.50	
49	4/1/2003	TELLABS INCORPORATED	SELL	20	\$1.55	OPTIONS		\$2,801.87

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#	Date	Security Name	Buy/Sell	Quantity	Price	Transaction Type	Debit	Credit
50	4/2/2003	NOKIA CORP SPONSORED ADR	BUY	100	\$14.67	COMMON STOCK	\$1,507.00	
51	4/21/2003	QLOGIC CORP	BUY	1	\$16.60	OPTIONS	\$1,700.50	
52	4/21/2003	QLOGIC CORP	BUY	4	\$1.15	OPTIONS	\$494.50	
53	4/21/2003	CISCO SYS INC COM	SELL	10	\$2.00	OPTIONS		\$1,806.71
54	4/21/2003	E M C CORP MASS	SELL	10	\$3.60	OPTIONS		\$3,341.34
55	4/23/2003	QLOGIC CORP	SELL	500	\$40.92	COMMON STOCK		\$20,419.04
56	4/23/2003	CISCO SYS INC COM	BUY	1000	\$14.49	COMMON STOCK	\$14,534.00	
57	4/23/2003	E M C CORP MASS	BUY	1000	\$8.88	COMMON STOCK	\$8,917.00	
58	5/5/2003	EMULEX CORP COM NEW	BUY	8	\$1.75	OPTIONS	\$1,565.85	
59	5/5/2003	EMULEX CORP COM NEW	SELL	2	\$6.70	OPTIONS		\$1,235.84
60	5/7/2003	EMULEX CORP COM NEW	BUY	1000	\$21.62	COMMON STOCK	\$21,661.00	
61	5/16/2003	NOKIA CORP SPONSORED ADR	BUY	3	\$7.90	OPTIONS	\$2,504.97	
62	5/16/2003	ADVANCED MICRO DEVICES I	SELL	10	\$2.80	OPTIONS		\$2,587.18
63	5/20/2003	NOKIA CORP SPONSORED ADR	SELL	300	\$16.81	COMMON STOCK		\$5,003.96
64	5/20/2003	ADVANCED MICRO DEVICES I	BUY	1000	\$7.79	COMMON STOCK	\$7,826.00	
65	6/4/2003	ADVANCED MICRO DEVICES I	SELL	10	\$2.85	OPTIONS		\$2,439.41
66	6/4/2003	ADVANCED MICRO DEVICES I	BUY	10	\$2.50	OPTIONS	\$2,593.80	
67	6/6/2003	EMULEX CORP COM NEW	SELL	500	\$24.58	COMMON STOCK		\$12,249.42
68	6/13/2003	ORACLE CORP	SELL	10	\$3.80	OPTIONS		\$3,611.84
69	6/13/2003	FANNIE MAE	BUY	10	\$1.80	OPTIONS	\$1,961.27	
70	6/13/2003	CISCO SYS INC COM	BUY	9	\$5.30	OPTIONS	\$4,799.95	
71	6/13/2003	CISCO SYS INC COM	BUY	1	\$5.30	OPTIONS	\$530.00	
72	6/13/2003	TELLABS INCORPORATED	BUY	20	\$2.65	OPTIONS	\$5,329.95	
73	6/16/2003	MICRON TECHNOLOGY INC	SELL	10	\$4.30	OPTIONS		\$4,105.89
74	6/16/2003	ORACLE CORP	BUY	10	\$4.50	OPTIONS	\$4,529.95	
75	6/17/2003	CISCO SYS INC COM	SELL	1000	\$17.22	COMMON STOCK		\$17,179.19
76	6/17/2003	TELLABS INCORPORATED	SELL	2000	\$7.23	COMMON STOCK		\$14,413.92
77	6/17/2003	ORACLE CORP	BUY	2000	\$13.78	COMMON STOCK	\$27,558.00	
78	6/18/2003	ORACLE CORP	SELL	2000	\$13.86	COMMON STOCK		\$27,678.70
79	6/18/2003	MICRON TECHNOLOGY INC	BUY	2000	\$13.78	COMMON STOCK	\$27,600.00	
80	6/24/2003	MICRON TECHNOLOGY INC	BUY	10	\$3.90	OPTIONS	\$4,104.52	
81	6/25/2003	EMULEX CORP COM NEW	SELL	3	\$1.70	OPTIONS		\$429.53
82	6/26/2003	AMR CORP DEL	SELL	25	\$5.10	OPTIONS		\$12,394.86
83	6/26/2003	MICRON TECHNOLOGY INC	SELL	2000	\$12.64	COMMON STOCK		\$25,238.81
84	6/27/2003	CORNING INC	SELL	20	\$2.90	OPTIONS		\$5,555.76
85	6/27/2003	AMR CORP DEL	BUY	25	\$6.60	OPTIONS	\$16,529.95	

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DECEMBER 2002 THROUGH JULY 2003

#	Date	Security Name	Buy/Sell	Quantity	Price	Transaction Type	Debit	Credit
86	6/30/2003	AMR CORP DEL	BUY	5000	\$9.57	COMMON STOCK	\$47,881.00	
87	6/26/2003	AMR CORP DEL	SELL	4000	\$10.50	COMMON STOCK		\$41,958.03
88	6/26/2003	AMR CORP DEL	SELL	1000	\$10.48	COMMON STOCK		\$10,479.50
89	6/30/2003	ADVANCED MICRO DEVICES I	SELL	10	\$2.70	OPTIONS		\$2,514.87
90	6/30/2003	ADVANCED MICRO DEVICES I	BUY	10	\$2.05	OPTIONS	\$2,158.76	
91	6/26/2003	CORNING INC	BUY	4000	\$7.70	COMMON STOCK	\$30,840.00	
92	7/1/2003	AMR CORP DEL	SELL	4000	\$10.50	COMMON STOCK		\$41,958.03
93	7/1/2003	AMR CORP DEL	SELL	1000	\$10.48	COMMON STOCK		\$10,479.50
94	7/1/2003	ADVANCED MICRO DEVICES I	SELL	10	\$2.70	OPTIONS		\$2,514.87
95	7/1/2003	CORNING INC	BUY	4000	\$7.70	COMMON STOCK	\$30,840.00	
96	7/1/2003	ADVANCED MICRO DEVICES I	BUY	10	\$2.05	OPTIONS	\$2,158.76	
97	7/9/2003	EMULEX CORP COM NEW	BUY	3	\$2.10	OPTIONS	\$670.00	
98	7/9/2003	EMULEX CORP COM NEW	BUY	2	\$10.50	OPTIONS	\$2,140.00	
99	7/9/2003	E M C CORP MASS	BUY	10	\$6.40	OPTIONS	\$6,440.00	
100	7/9/2003	CORNING INC	BUY	20	\$3.60	OPTIONS	\$7,240.00	
101	7/11/2003	EMULEX CORP COM NEW	SELL	500	\$25.02	COMMON STOCK		\$12,469.41
102	7/11/2003	E M C CORP MASS	SELL	1000	\$11.30	COMMON STOCK		\$11,259.47
103	7/11/2003	CORNING INC	SELL	400	\$8.23	COMMON STOCK		\$3,251.84
104	7/11/2003	CORNING INC	SELL	3600	\$8.22	COMMON STOCK		\$29,590.61
105	7/11/2003	ADVANCED DIGITAL INFORMATION CORP	BUY	3000	\$11.05	COMMON STOCK	\$33,190.00	
106	7/14/2003	ADVANCED DIGITAL INFORMATION CORP	SELL	500	\$11.45	COMMON STOCK		\$5,684.73
107	7/14/2003	ADVANCED DIGITAL INFORMATION CORP	SELL	100	\$11.45	COMMON STOCK		\$1,144.94
108	7/14/2003	ADVANCED DIGITAL INFORMATION CORP	SELL	800	\$11.45	COMMON STOCK		\$9,159.57
109	7/14/2003	ADVANCED DIGITAL INFORMATION CORP	SELL	100	\$11.45	COMMON STOCK		\$1,144.94
110	7/14/2003	ADVANCED DIGITAL INFORMATION CORP	SELL	1500	\$11.47	COMMON STOCK		\$17,204.19
111	7/15/2003	ADVANCED DIGITAL INFORMATION CORP	BUY	3000	\$11.08	COMMON STOCK	\$33,283.90	
112	7/17/2003	ADVANCED DIGITAL INFORMATION CORP	SELL	500	\$11.62	COMMON STOCK		\$5,809.72
113	7/17/2003	ADVANCED DIGITAL INFORMATION CORP	SELL	100	\$11.62	COMMON STOCK		\$1,121.94
114	7/17/2003	ADVANCED DIGITAL INFORMATION CORP	SELL	300	\$11.54	COMMON STOCK		\$3,461.83
115	7/17/2003	ADVANCED DIGITAL INFORMATION CORP	SELL	700	\$11.53	COMMON STOCK		\$8,070.62
116	7/17/2003	ADVANCED DIGITAL INFORMATION CORP	SELL	1000	\$11.55	COMMON STOCK		\$11,551.45
117	7/17/2003	ADVANCED DIGITAL INFORMATION CORP	SELL	200	\$11.55	COMMON STOCK		\$2,309.89
118	7/17/2003	ADVANCED DIGITAL INFORMATION CORP	SELL	200	\$11.63	COMMON STOCK		\$2,325.89
119	7/17/2003	SOLA INTERNATIONAL INC	BUY	2500	\$18.43	COMMON STOCK	\$46,116.00	
120	7/25/2003	SOLA INTERNATIONAL INC	SELL	100	\$16.69	COMMON STOCK		\$1,549.64
121	7/25/2003	SOLA INTERNATIONAL INC	SELL	300	\$16.66	COMMON STOCK		\$4,760.36

EXHIBIT A - TRADES IN MK'S ACCOUNT
DECEMBER 2002 THROUGH JULY 2003

#	Date	Security Name	Buy/Sell	Quantity	Price	Transaction Type	Debit	Credit
122	7/30/2003	SOLA INTERNATIONAL INC	SELL	200	\$16.40	COMMON STOCK		\$3,239.84
123	7/30/2003	SOLA INTERNATIONAL INC	SELL	1900	\$16.32	COMMON STOCK		\$31,006.54
124	7/30/2003	ADVANCED MICRO DEVICES I	BUY	4	\$3.50	OPTIONS	\$1,501.79	
125	7/30/2003	ADVANCED MICRO DEVICES I	BUY	5	\$3.50	OPTIONS	\$1,827.23	
126	7/30/2003	ADVANCED MICRO DEVICES I	BUY	1	\$3.50	OPTIONS	\$365.44	
127	7/30/2003	ADVANCED DIGITAL INFORMATION CORP	BUY	100	\$10.15	COMMON STOCK	\$1,055.00	
128	7/30/2003	ADVANCED DIGITAL INFORMATION CORP	BUY	720	\$10.15	COMMON STOCK	\$7,308.00	
129	7/30/2003	ADVANCED DIGITAL INFORMATION CORP	BUY	200	\$10.15	COMMON STOCK	\$2,030.00	
130	7/30/2003	ADVANCED DIGITAL INFORMATION CORP	BUY	100	\$10.16	COMMON STOCK	\$1,016.00	
131	7/30/2003	ADVANCED DIGITAL INFORMATION CORP	BUY	880	\$10.16	COMMON STOCK	\$8,940.80	
132	7/31/2003	ADVANCED DIGITAL INFORMATION CORP	SELL	200	\$10.33	COMMON STOCK		\$2,025.90
133	7/31/2003	ADVANCED DIGITAL INFORMATION CORP	SELL	1800	\$10.33	COMMON STOCK		\$18,593.12
134	7/31/2003	EMULEX CORP COM NEW	BUY	300	\$20.69	COMMON STOCK	\$6,247.00	
135	7/31/2003	EMULEX CORP COM NEW	BUY	1200	\$20.71	COMMON STOCK	\$24,852.00	
136	7/29/2003	ADVANCED MICRO DEVICES I	SELL	1000	\$7.25	COMMON STOCK		\$7,209.66
137	7/29/2003	FRONTIER AIRLINES INC	BUY	100	\$12.35	COMMON STOCK	\$1,275.00	
138	7/29/2003	FRONTIER AIRLINES INC	BUY	400	\$12.35	COMMON STOCK	\$4,940.00	
139	7/29/2003	FRONTIER AIRLINES INC	BUY	100	\$12.35	COMMON STOCK	\$1,235.00	
140	7/29/2003	FRONTIER AIRLINES INC	BUY	400	\$12.35	COMMON STOCK	\$4,940.00	