

**NASD
OFFICE OF HEARING OFFICERS**

Market Regulation Department,

Complainant,

v.

Blake Shanaphy
(CRD No. 3002887),

Respondent.

Disciplinary Proceeding
No. CMS 040165
Hearing Officer: SNB

**ORDER ACCEPTING
OFFER OF SETTLEMENT OF
BLAKE SHANAPHY**

Date: January 17, 2006

Disciplinary proceeding number CMS 040165 was filed on October 11, 2004 by the Department of Market Regulation of NASD ("Complainant"). Respondent Blake Shanaphy submitted an Offer of Settlement ("Offer") to Complainant on December 6, 2005. Pursuant to Code of Procedure Rule 9270(e), the Complainant and the National Adjudicatory Council ("NAC") Review Subcommittee or the Office of Disciplinary Affairs ("ODA") have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to Code of Procedure 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, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD is a party, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of

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Respondent's permanent disciplinary record and may be considered in any future actions brought by NASD.

BACKGROUND

1. Blake Shanaphy, age 30, first became registered as a general securities representative in 1997 with Tasin & Co. In August 1998, he moved to Hornblower & Weeks where he was employed as a registered representative. Shanaphy joined Park Capital in May 2001 as a registered representative and remained there until May 2002, when he left Park Capital for Delta Asset Management Company. In June 2004, Shanaphy left Delta Asset Management and became employed at Essex & York, Inc., where he is currently employed as a general securities representative.

FINDINGS AND CONCLUSIONS

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

Shanaphy, while employed as a salesperson at Park Capital Securities, and while acting as a member of a sales group ("sales group"), employed classic, boiler-room techniques to induce customers to purchase shares of Cordia Corporation ("Cordia").

Shanaphy served as an account-opener for the sales group, opening new accounts by recommending relatively safe, non-volatile stocks. After the initial purchases in the accounts, Shanaphy ceded control of his accounts to the group's leader, who then contacted the customers to recommend the purchase of other speculative stocks, including Cordia Corporation.

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

Each member of the sales group agreed upon, and entered into an unwritten partnership agreement, to share all customers and commissions equally. Pursuant to the agreement, all members shared customer accounts and commissions derived therefrom, regardless of which group members' name appeared on the customer account records and regardless of which group member communicated with the customer. Members of the group solicited each other's customers, wrote order tickets for other members of the group, and fielded telephone calls and complaints for each other. By design, the sharing of accounts was intended to confuse customers and obscure liability for individual group members.

As part of the scheme, members of the sales group engaged in fraudulent misrepresentations and omissions to induce purchases or to discourage sales of Cordia. Group members routinely predicted the stock would shortly increase in price. They engaged in unauthorized trading, as well as other deceptive practices, including buying more than the customer authorized or insisting that the customer pay for an unauthorized trade before selling the stock.

Each member of the sales group, including Blake Shanaphy, knowingly or recklessly provided substantial assistance to other members of the group engaged in the same or similar misconduct, in furtherance of the scheme. Shanaphy, by knowingly ceding control of his customer accounts to more senior group members while at the same time continuing to share equally in the commissions derived from the group's fraudulent sale practices, abdicated his duty and obligations to his customers.

In addition, Shanaphy, acting individually and as a member of the sales group:

- failed to furnish customers, prior to effecting transactions in Cordia in customer accounts, a risk disclosure document containing the information required by the penny stock rules;
- Failed to obtain from customers, prior to effecting customer transactions in Cordia, a manually-signed and dated written statement acknowledging receipt of such risk disclosure document;
- Failed to disclose to customers, either orally or in writing, prior to effecting customer transactions in Cordia, the inside bid and offer quotations for Cordia and failed to provide the same in writing at or prior to the time of any written confirmation sent to the customer pursuant to SEC Rule 10b-10; and
- Failed to keep and preserve records of such disclosures as required by the penny stock rules.

Based on the foregoing, Respondent Shanaphy violated Sections 10(b) and 15(g) of the Securities Exchange Act of 1934 and Rules 10b-5, 15g-2, 15g-3 and 15g-9 thereunder, and NASD Conduct Rules 2110 and 2120.

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 NASD, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent be:

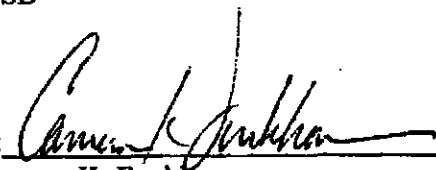
- 1. Censured and fined \$5,000;**
- 2. Suspended from associating with any member of this Association in any capacity for 45 calendar days; and**
- 3. Permanently barred from participating in, directly or indirectly, any public offering or transaction involving a penny stock, as that term is defined under the Securities Exchange Act of 1934.**

The sanctions imposed herein shall be effective on a date set by NASD staff. Pursuant to IM-8310-2(f), a bar or expulsion shall become effective upon approval or acceptance of this

Order by the NAC.

SO ORDERED.

NASD

By: 

Cameron K. Funkhouser

Senior Vice President

Market Regulation Department

On behalf of the Director of ODA,
pursuant to delegated authority