

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

BACKGROUND

Antipatis started working in the **securities** industry in 1996, when he registered with Merrill Lynch, Pierce, Fenner & Smith, Inc. He became registered with Kovack Securities, Inc., in August 2001, and remained registered with the firm until May 8, 2003, when Kovack filed a Form U5 on his behalf. Antipatis **has not** been registered with a member firm since May 2003. Respondent has no relevant **disciplinary** history.

FINDINGS AND CONCLUSIONS

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

Antipatis circulated fraudulent and misleading investment opinions on speculative, low-cost securities

Respondent Antipatis circulated **false and** misleading investment opinions and research reports, which included **fraudulent and** deceptive representations and omissions of material facts about speculative, low-priced **securities**. Respondent Antipatis, while registered with member firm Kovack Securities, Inc., from August 2001 to May 2003, also worked for Capital Research Group, Inc. ("CRG"), a **stock** promotion and public relations firm with its principal place of business in **Weston, Florida**. CRG maintained an Internet website dedicated to promoting high-risk, **speculative companies** whose securities are traded on the Over-the-Counter Bulletin Board ("OTCBB") or **quoted** in the Pink Sheets. CRG was compensated by the issuers for whom it distributed investment **opinions** and by unnamed third parties. Antipatis earned an annual salary of \$60,000 from CRG in 2001, the year that he registered with Kovack. Antipatis's investment opinions **appeared** on CRG's website, *thesubway.com*.

Antipatis issued investment opinions on the following OTCBB issuers that are the subject of the Complaint filed in this action: American Water Star, Inc.; CirTran Corporation; Warning Model Management LLC; Core Solutions, Inc.; eSynch Corporation; Digital Rooster.com Ltd.; Central Wireless, Inc.; ElGrande.com, Inc.; Gateway Distributors, Ltd.; Providential Holdings, Inc.; and Stereo Vision Entertainment, Inc. Respondent's investment opinions typically were timed to coincide with the circulation of press releases by the companies he covered and frequently were issued promptly after the company he covered issued a press release. Antipatis did not include financial information about companies he covered in his investment opinions. He failed to disclose material negative information about each of the companies he covered. For example, he failed to disclose when companies' financial statements contained "going concern" clauses or that the companies he covered had considerable liabilities or large deficits. The companies that he covered that are the subject of the Complaint giving rise to this Offer were all traded on the OTCBB.

By reason of the foregoing conduct, Antipatis, directly or indirectly, by use of means or instrumentalities of interstate commerce, intentionally or recklessly employed a device, scheme or artifice to defraud or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit in connection with the purchase or sale of a security, in violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. Antipatis's misconduct also constitutes violations of NASD Conduct Rules 2110 and 2120.

Antipatis's investment opinions also constituted "communications with the public," as the term is defined in Conduct Rule 2210(a). Antipatis's investment opinions were not based on principles of fair dealing and good faith, were not fair and balanced, and did not provide a

sound basis for evaluating the facts in regard to any particular security or type of security, industry, or service. In the investment opinions, Antipatis omitted material facts or qualifications that, in the light of the context of the material presented, caused the communications to be misleading. Antipatis made false, exaggerated, unwarranted, or misleading statements or claims in his communications with the public. He published, circulated, or distributed public communications, or caused such public communications to be published, circulated or distributed, that he knew, or had reason to know, contained untrue statements of a material fact or were otherwise false or misleading. In his communications with the public, Antipatis predicted or projected performance, implied that past performance will recur, or made exaggerated or unwarranted claims, opinions, or forecasts.

The foregoing misconduct constitutes violations of Conduct Rules 2110 and 2210(d)(1)(A), 2210(d)(1)(B), and 2210(d)(1)(D).

Antipatis's investment opinions also constituted "research reports" as the term is defined in Conduct Rule 2711(a)(8). His investment opinions or research reports contained only favorable research, opinions, or news about the companies he covered. Antipatis directly or indirectly offered the favorable research report and a specific rating as consideration or inducement for the receipt by him of business or compensation. By reason of the foregoing, Antipatis violated Conduct Rules 2110 and 2711(c).

Antipatis only issued positive ratings on the issuers he covered, including the rating "Market Outperform," and for which he and CRG were compensated. He did not issue negative or neutral ratings on a company he covered in an investment opinion or research report. He did not define the meaning of each rating he used. Antipatis did not disclose in his

research reports the percentage of all securities rated by him to which he assigned a "buy," "hold/neutral" or "sell" rating, nor did he disclose the percentage of companies within each rating for whom he provided investment banking services within the previous twelve months. By reason of the foregoing, Antipatis violated Conduct Rules 2110 and 2711(h)(4) and 2711(h)(5)(A) and (B).

Antipatis "parked" his license and filed a false Form U4

Antipatis was registered with Kovack from August 16, 2001, to May 8, 2003. The sole purpose of his registering with Kovack was to avoid a lapse in his registration and the re-examination requirements contained in Membership and Registration Rule 1031(c). At no time during his 20-month term of registration with Kovack was Antipatis engaged in the investment banking or securities business of the firm. This misconduct constitutes a violation of Membership and Registration Rule 1031 and Conduct Rule 2110.

Antipatis filed information with respect to membership or registration that was incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or failed to correct such filing after notice thereof. On his Form U4 ("Uniform Application for Securities Industry Registration or Transfer"), filed by Kovack on his behalf on or about August 16, 2001, Antipatis falsely stated that he was a "reports manager" with CRG, that CRG was a "public relations" company, and that his work with CRG was not investment-related. In fact, Antipatis's job at CRG was to write investment opinions and research reports.

By reason of the foregoing, Antipatis violated Membership and Registration Rule IM-1000-1 and Conduct Rule 2110.

Antipatis failed to disclose outside business activities to his employer

Antipatis violated Conduct Rules 2110 and 3030 by failing to provide prompt written disclosure to Kovack, in the form required by the firm that he was working for, and being compensated by CRG for writing investment opinions and research reports. Antipatis did not disclose to Kovack the true nature of his work with CRG and deceived Kovack into believing that his outside employment was not investment-related. On a firm "outside business activity notification form" that he signed on or about August 15, 2001, Antipatis falsely stated that the business was "public relations" and that he "edit[ed] reports" and "maintained client files." On May 10, 2002, Antipatis falsely stated on an updated Kovack "outside business activity notification form" that the nature of the business was "real estate," that his position was a "reports manager," and that his duties were to "manage office [and] executive suite leases."

Antipatis failed to disclose securities accounts and associated status

Antipatis maintained personal accounts at E*Trade Securities LLC and Merrill Lynch, Pierce, Fenner & Smith, Inc. Antipatis failed to notify Kovack, in writing, of his accounts at E*Trade and Merrill Lynch, and he failed to notify E*Trade and Merrill Lynch, in writing, of his association with Kovack, another member firm. The foregoing conduct constitutes a violation of Conduct Rules 2110 and 3050(c).

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

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 Peter T. Antipatis be:

-- permanently barred in all capacities from associating with any member firm.

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

SO ORDERED.

NASD

February 22, 2005

By: 
Cameron K. Funkhouser
Senior Vice President
Department of Market Regulation

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