

NASD OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

SANDEEP KITSON
(CRD No. 2508526)

and

GURPREET SABHARWAL
(CRD No. 3206745),

Respondents.

Disciplinary Proceeding
No. E102003128802

Hearing Officer: Sharon Witherspoon

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: November 1, 2006

INTRODUCTION

Disciplinary Proceeding No. E102003128802 was filed on March 1, 2006, by the Department of Enforcement of NASD ("Complainant"). Respondents Sandeep Kitson ("Kitson") and Gurpreet Sabharwal ("Sabharwal") (collectively, "Respondents") submitted Offers of Settlement ("Offers") to Complainant on August 2, 2006, and July 16, 2006, respectively. 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 Offers. 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 Offers as accepted by the Complainant and approved by the NAC.

Under the terms of the Offers, Respondents consented, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other

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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 understand that this Order will become part of their permanent disciplinary record and may be considered in any future actions brought by NASD.

BACKGROUND AND JURISDICTION

Kitson

Kitson first became registered as a General Securities Representative (“GSR”) on November 11, 1994, through his association with a member firm. Most recently, from on or about June 25, 2004, through on or about July 12, 2004, Kitson was registered as a GSR, General Securities Principal (“GSP”) and Financial and Operations Principal (“FINOP”) through his association with Granite Securities LLP (BD No. 104255) (“Granite”). Kitson was also registered with NASD through associations with the following member firms:

- Investprivate, Inc. (BD No. 103737) (“Investprivate”) from on or about October 10, 2001, through on or about March 1, 2002;
- J.P. Turner & Company, Inc. (BD No. 43177) (“JPT”) from on or about March 1, 2002, through on or about August 21, 2002;
- Raike Financial Group, Inc. (BD No. 38095) (“Raike”) from on or about May 27, 2003, through on or about March 1, 2004; and
- First Montauk Securities Corp. (BD No. 13755) (“First Montauk”) from on or about April 1, 2004, through on or about May 11, 2004.

On or about June 21, 2005, a letter of Acceptance, Waiver and Consent ("AWC") submitted by Kitson was approved by the Office of Disciplinary Affairs, whereby Kitson consented to findings that (i) he willfully omitted a material fact his Uniform Application for Securities Industry Registration or Transfer ("Form U-4"); and (ii) that he made unsuitable recommendations and trades in his customer's accounts. Kitson was fined \$5,000, suspended for two years, and ordered to pay \$246,166 in restitution.

Kitson does not have any other disciplinary history with the Securities and Exchange Commission, any state securities regulator, or self-regulatory organization.

Although Kitson is not currently registered with NASD, he remains subject to NASD's jurisdiction pursuant to Article V, Section 4 of its By-Laws. Specifically, the Notice of Complaint and Complaint were served upon Respondent within two years of the termination of his most recent association with a member firm.

Sabharwal

Sabharwal first became registered as a General Securities Representative ("GSR") on or about April 9, 1999, through his association with a member firm. Most recently, from on or about August 6, 2004, through on or about October 13, 2004, Sabharwal was registered as a GSR, GSP and Registered Options Principal through his association with Newbridge Securities Corporation ("Newbridge") (BD No. 104065). Sabharwal was also registered with NASD through associations with the following member firms:

- Investprivate from on or about August 28, 2001, through on or about March 1, 2002;
- JPT from on or about March 1, 2002, through on or about August 21, 2002;
- Raike from on or about May 27, 2003, through on or about March 1, 2004;
- First Montauk from on or about April 1, 2004, through on or about June 10, 2004; and

- Granite from on or about June 25, 2004, through on or about July 12, 2004.

Sabharwal does not have any disciplinary history with the Securities and Exchange Commission, any state securities regulator, or self-regulatory organization.

Although Sabharwal is not currently registered with NASD, he remains subject to NASD's jurisdiction pursuant to Article V, Section 4 of its By-Laws. Specifically, the Notice of Complaint and Complaint were served upon Respondent within two years of the termination of his most recent association with a member firm.

Kitson and Sabharwal also formed Prime America Securities Corp. (BD No. 124084) ("Prime America"), a broker-dealer that applied for NASD membership on or about October 30, 2002. Prime America's application was denied on or about May 12, 2003. Respondents appealed the denial of Prime America's application, and the NAC affirmed the denial on November 18, 2003. Kitson and Sabharwal were also the sole owners and officers of Provident Capital Holdings ("Provident") – a holding company that was the parent of Prime America. As described more fully below, from January 2002 through March 2004, Respondents sold shares of Provident to raise capital for Prime America and other proposed business ventures.

FINDINGS AND CONCLUSIONS

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

Kitson

Private Securities Transactions

1. From in or about January 2002 through in or about February 2002, while associated with Investprivate, Kitson participated in private securities transactions away from Investprivate by soliciting and obtaining approximately \$69,216 from at least seven

customers, and promising these customers shares of Provident in return. The interests Kitson sold these customers were securities.

2. Prior to participating in these private securities transactions, Kitson failed to provide written notification to, or obtain written approval from, Investprivate.
3. From on or about March 1, 2002, through in or about August 21, 2002, while associated with JPT, Kitson participated in private securities transactions away from JPT by soliciting and selling over \$1,000,000 of Provident shares to at least fifty customers. Prior to participating in these private securities transactions, Kitson failed to provide written notification to, and obtain written approval from, JPT.
4. From on or about May 27, 2003, through in or about March 8, 2004, while associated with Raike, Kitson engaged in private securities transactions away from Raike by selling over \$160,000 of Provident shares to at least eight customers. Prior to participating in these private securities transactions, Kitson failed to provide written notification to, and obtain written approval from, Raike.

By reason of the foregoing, Kitson violated NASD Conduct Rules 3040 and 2110.

Failure to Disclose Material Information on a Form U-4

5. On March 1, 2002, in connection with his employment at JPT, Kitson executed a Form U-4 that was submitted to NASD on his behalf by JPT. Question 23M on the JPT Form U-4, asked, "Do you have any unsatisfied judgments or liens against you?"
6. On or about March 11, 2002, Kitson had a \$75,410 judgment entered against him in favor of his former employer, Investprivate. From March 12, 2002, through August 9, 2004, the Investprivate judgment against Kitson remained unsatisfied.

7. Kitson willfully failed to amend his JPT Form U-4 to disclose a material fact. Specifically, from on or about April 11, 2002, through the termination of his employment at JPT, on August 21, 2002, Kitson willfully failed to amend his JPT Form U-4 to disclose the unsatisfied Investprivate judgment.
8. On or about May 27, 2003, Kitson executed a Form U-4 that was filed with NASD on his behalf by Raike. Kitson willfully failed to disclose the material fact that he had an unsatisfied judgment against him on his Raike Form U-4. Specifically, Kitson answered “no” to question 14M of the Raike Form U-4, which asked, “Do you have any unsatisfied judgments or liens against you?”

By reason of the foregoing, Kitson contravened Article V of NASD By-Laws and violated NASD Conduct Rule 2110 and IM-1000-1.

Sabharwal

Private Securities Transactions

9. From on or about March 1, 2002, through in or about August 21, 2002, while associated with JPT Sabharwal participated in private securities transactions away from JPT. Specifically, while associated with JPT, Sabharwal sold over \$120,000 of Provident shares to at least six customers. Prior to participating in these private securities transactions, Sabharwal failed to provide written notification to, or obtain written approval from, JPT.

By reason of the foregoing, Sabharwal violated NASD Conduct Rules 3040 and 2110.

Failure to Disclose Material Information on a Form U-4

10. On or about March 11, 2002, Sabharwal had a \$75,410 judgment entered against him in favor of his former employer, Investprivate. The Investprivate judgment against Sabharwal has remained unsatisfied through at least March 1, 2006.
11. Sabharwal willfully failed to amend his JPT Form U-4 to disclose a material fact. Specifically, from on or about April 11, 2002, through the termination of his employment at JPT, on August 21, 2002, Sabharwal failed to amend his JPT Form U-4 to disclose the unsatisfied Investprivate judgment.
12. On or about May 27, 2003, Sabharwal executed a Form U-4 that was filed with NASD on his behalf by Raike. Sabharwal willfully failed to disclose the material fact that he had an unsatisfied judgment against him on his Raike Form U-4. Specifically, Sabharwal answered “no” to question 14M of the Raike Form U-4, which asked, “Do you have any unsatisfied judgments or liens against you?”
13. On or about March 26, 2004, Sabharwal executed a Form U-4 that was filed with NASD on his behalf by First Montauk. Sabharwal willfully failed to disclose the material fact that he had an unsatisfied judgment against him on his First Montauk Form U-4. Specifically, Sabharwal answered “no” to question 14M on the First Montauk Form U-4, which asked, “Do you have any unsatisfied judgments or liens against you?”
14. On or about May 28, 2004, Sabharwal executed a Form U-4 that was filed with NASD on his behalf by Granite. Sabharwal willfully failed to disclose the material fact that he had an unsatisfied judgment against him on his Granite Form U-4. Specifically, Sabharwal answered “no” to question 14M on the Granite Form U-4, which asked, “Do you have any unsatisfied judgments or liens against you?”

15. On or about August 4, 2004, Sabharwal executed a Form U-4 that was filed with NASD on his behalf by Newbridge. Sabharwal willfully failed to disclose the material fact that he had an unsatisfied judgment against him on his Newbridge Form U-4. Specifically, Sabharwal answered "no" to question 14M on the Newbridge Form U-4, which asked, "Do you have any unsatisfied judgments or liens against you?"

By reason of the foregoing, Sabharwal contravened Article V of NASD By-Laws and violated NASD Conduct Rule 2110 and IM-1000-1.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offers are in the public interest, are sufficiently remedial to deter Respondents 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:

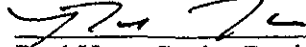
- Kitson be barred from associating with any NASD member in any capacity;
- Sabharwal be fined \$10,000; and
- Sabharwal be suspended from associating with any NASD member in any capacity for six months.

Sabharwal's fine shall be due and payable either immediately upon Sabharwal's reassociation with a member firm following the six month suspension noted above, or prior to any application or request for relief by him from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

As a result of a Respondents' willful failures to disclose material information, they are subject to *statutorily* disqualification from association with a member of NASD under Article III, Section 4(f) of the NASD By-Laws.

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.

By: 
Paul Hare, Senior Regional Attorney
Signed on behalf of the Director of
ODA, by delegated authority