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ARKANSAS SECURITIES DEPT.

**BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO. S-12-0193**

IN THE MATTER OF:

JUNMO HONG

RESPONDENT

COMPLAINT

COMES NOW the Staff of the Arkansas Securities Department ("Staff"), by and through counsel, J. Campbell McLaurin III, and for its Complaint states as follows:

AUTHORITY

This Complaint is filed pursuant to the Arkansas Securities Act ("Act"), codified at Ark. Code Ann. 23-42-101 through 23-42-509, the Rules of the Arkansas Securities Commissioner promulgated thereunder ("Rules"), and the Arkansas Administrative Procedures Act, codified at Ark. Code Ann. 25-15-201 through 25-25-219.

RESPONDENT

1. Junmo Hong ("Hong"), CRD No. 6013188, is a New York resident who was registered with the Arkansas Securities Department ("Department") as a broker-dealer agent with John Thomas Financial ("John Thomas"), CRD No. 40982, from June 21, 2012 to June 11, 2013.

FACTUAL ALLEGATIONS

2. On September 10, 2012, Hong contacted an Arkansas resident ("AR1") on a cold call recommending the purchase of stock in Document Security Systems, Inc. ("DSS"). Unbeknownst to Hong at the time, AR1 is employed as a Senior Securities Examiner with the Department. AR1 received Hong's cold call on his office telephone during business hours.

3. At the time of the cold call, DSS was trading at around \$4.70 per share. Without adequate justification, Hong told AR1 that DSS would soon land some of its biggest contracts to date and referenced agreements with Kraft, Hershey, Pepsi, Boeing, and ConAgra. According to Hong, one of these contracts alone would double the revenues of the company and increase the trading value of the company's stock.

4. During the above-referenced conversation, Hong claimed to have had several prior phone conversations with AR1 that never actually took place. Hong fabricated each of the alleged phone conversations detailed below to entice AR1 into purchasing the stock he was recommending on the cold call:

(a) First, Hong claimed to have had a conversation with AR1 in February 2006 at which time he alleged to have recommended that AR1 purchase stock in Pacific Ethanol, Inc. ("Pacific Ethanol"). According to Hong, Pacific Ethanol was trading around \$14.00 per share at the time of the call before the stock subsequently increased to \$48.00 per share shortly thereafter.

(b) Second, Hong said he spoke to AR1 in August 2007 when recommending that AR1 purchase stock in Synchronoss Technologies, Inc. ("Synchronoss"). Hong stated that Synchronoss was trading at \$12.00 per share at the time of the call before rising to \$44.00 per share thereafter.

(c) Last, Hong maintained that he had third and fourth conversations with AR1 wherein he recommended stock in Visa, Inc. at \$90.00 per share and \$100.00 per share, respectively, before the stock later climbed to \$128.00 per share.

During each of these alleged phone conversations, Hong claimed to have recommended various stocks to AR1 at a time when each of those stocks was trading at a low value before the stock later experienced a substantial jump in value. According to CRD records, Hong was born

on July 9, 1991, which would have made him fourteen years old at the time of the initial alleged conversation.

5. Although Hong asked AR1 a few income-related questions at the conclusion of their conversation, Hong failed to conduct a proper suitability analysis with AR1 prior to recommending the DSS stock. Hong also failed to make any qualifications regarding the certainty of the purported contracts to be entered into by DSS. Furthermore, Hong expressed his intent to inflate the financial information AR1 provided in response to his few income-related inquiries. After AR1 provided Hong with a zero total net worth figure, Hong said he would just mark AR1's net worth down on the new account application as one million dollars.

6. In addition to the cold call made to AR1, the Staff found through an examination of relevant phone records that Hong made twenty-three unsolicited phone calls to other Arkansas residents whose names were registered on the National Do-Not-Call List.

WILLFUL VIOLATIONS OF THE ACT

7. Rule 308.01 of the Rules provides that each broker-dealer agent shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business. Rule 308.01(b) of the Rules prohibits a broker-dealer agent from making unjustified or untruthful representations that a market will be established or that the securities will be subject to an increase in value. Hong violated Rule 308.01(b) of the Rules when he represented to AR1 that DSS would soon enter into large contracts which would double the existing revenues of the company and lead to an increase in the value of the stock, as set forth in paragraph 3 above.

8. Ark. Code Ann. § 23-42-507(2) makes it unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly, to make any untrue

statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading. Hong violated Ark. Code Ann. § 23-42-507(2) when he represented without justification that DSS would soon enter into large contracts that would increase the revenues of the company and the value of its stock, and when he maintained that he had engaged in four previous conversations with AR1 that never actually took place, as set forth in paragraphs 2 through 4 above.

9. Rule 308.01(d) of the Rules requires that a registered agent, before recommending the purchase, sale, or exchange of any security, have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings, financial situation, and needs. Hong violated Rule 308.01(d) of the Rules when he recommended the DSS stock to AR1 without having reasonable grounds to believe that the recommendation was suitable for purchase by the prospective client, as set forth in paragraph 5 above.

10. Rule 308.01(y) of the Rules prohibits a broker-dealer agent from engaging in unfair, misleading, and unethical practices and allows the Commissioner to suspend or revoke a registration when necessary or appropriate in the public interest. Hong violated Rule 308.01(y) of the Rules when he stated his intent to inflate the income information provided by AR1 for purposes of completing a new account form, as set forth in paragraph 5 above.

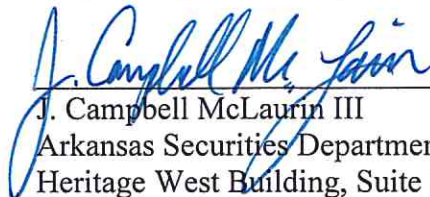
11. Rule 308.01(x) of the Rules states that a broker-dealer agent shall comply with any applicable provision of conduct rules, any applicable fair practice or ethical standard, or any applicable law or rule related to conducting business involving securities promulgated by the SEC or any self-regulatory organization. FINRA Conduct Rule 2212 provides that no member

shall initiate any telephone solicitations to any person who has registered his or her telephone number on the Federal Trade Commission Do-Not-Call List. Hong violated Rule 308.01(x) of the Rules when he made twenty-three unsolicited phone calls to Arkansas residents named on the Federal Trade Commission Do-Not-Call List in contravention of FINRA Conduct Rule 2212, as set forth in paragraph 6 above.

REQUESTED RELIEF

WHEREFORE, the Staff respectfully prays that its Complaint be received and filed, that a date for a hearing on the merits be set, and that upon a final hearing the Commissioner will revoke Hong's registration in accordance with Ark. Code Ann. § 23-42-308(a)(2)(B) for his willful violations of the Act as set forth above. Additionally, the Staff requests the imposition of a reasonable civil penalty pursuant to Ark. Code Ann. § 23-42-308(g) for Hong's making unjustified and untruthful representations in violation of Rule 308.01(b) of the Rules; committing securities fraud in violation of Ark. Code Ann. § 23-42-507(2); engaging in unfair, misleading, and unethical practices in violation of Rule 308.01(y) of the Rules; and calling Arkansas residents named on the Federal Trade Commission Do-Not-Call List in violation of FINRA Conduct Rule 2212 and Rule 308.01(x) of the Rules. The Staff further requests all other general relief the Commissioner deems just and appropriate under the circumstances.

Respectfully Submitted,



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