

**STATE OF ARKANSAS**  
**SECURITIES DEPARTMENT**

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IN THE MATTER OF

CEASE AND DESIST ORDER

GLENN MICHAEL FINANCIAL, INC.

AND MAHER TALAT ZAITOUN

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ORDER NO. 98-056-S

**CEASE AND DESIST ORDER**

The Arkansas Securities Department ("Department") has received information and has in its possession certain evidence which indicates that Glenn Michael Financial, Inc. ("GMFI") and Maher "Mark" Talat Zaitoun ("Zaitoun") have violated provisions of the Arkansas Securities Act ("Act"), Ark. Code Ann. § 23-42-101 *et seq.*

**FINDINGS OF FACT**

1. GMFI, CRD # 37912, is a broker-dealer with a principal place of business at 534 Broad Hollow Road, Melville, New York 11747.
2. Zaitoun, CRD # 2136001, is an agent of GMFI and is listed as the supervisor of the GMFI branch office located at 156 5<sup>th</sup> Avenue, Suite 300, New York, New York 10010.
3. John Decourcy Conaboy ("Conaboy"), CRD # 2560811, was registered with the FINRA as an agent of GMFI in November and December, 1997, but became registered with the FINRA as an agent of Fahnestock & Co., Inc. ("Fahnestock") on December 11, 1997. Conaboy was registered in Arkansas prior to working at GMFI and at Fahnestock, but was not registered in Arkansas while an agent of GMFI.
4. Records of the Department indicate that neither GMFI nor Zaitoun has ever been registered to sell securities in Arkansas.
5. Upon becoming an agent at GMFI, Conaboy opened accounts for his existing customers and began transferring assets from their previous brokerage accounts to accounts at GMFI. One of his existing customers was Arthur Wallace, who is a resident of Bella Vista, Arkansas. A new account document dated October 29, 1997 reflects that Conaboy opened an account for Wallace at GMFI by transferring the assets from another brokerage account. Customer account statements reflect that assets, consisting mostly of shares of common stock and municipal bonds, were transferred to the account on November 7, 12 and 19, 1997. The account had a market value exceeding \$2.1 million.
6. By all accounts, Conaboy never executed a trade while employed at GMFI. After only a few weeks, he stopped coming to the office and was actively seeking employment elsewhere. A new account application for Wallace to open an account at Fahnestock is dated December 12, 1997, one day after Conaboy was approved for FINRA registration at Fahnestock.
7. On December 5, 1997, 3900 shares of Wal Mart stock and 1500 shares of Dell Computer stock were sold from the Wallace account at GMFI. The transactions totaled \$297,768 and

generated commissions of approximately \$3,000. Mr. Wallace did not authorize either transaction. Conaboy did not execute either transaction. According to the confirmations received by Wallace, both transactions were executed by Zaitoun. Zaitoun is listed as the account executive on both confirmations.

8. On December 8, 1997, 40,000 shares of Transworld Healthcare were purchased for the Wallace account for \$304,416.75. Mr. Wallace did not authorize this transaction either. Conaboy did not execute this transaction. According to the confirmation received by Wallace on December 15, 1997, the transaction was executed by Zaitoun. In addition to again listing Zaitoun as the account executive, the confirmation indicates that GMFI makes a market in Transworld Healthcare.
9. Upon receiving the confirmations for trades he did not authorize, Wallace immediately registered complaints with GMFI and the Arkansas Securities Department. After being notified by our office and Wallace of the facts described above, GMFI canceled the trades that Zaitoun made in the Wallace account.
10. In December, 1997, prior to receiving the written complaint from Wallace, the Arkansas Securities Department was contacted by Zaitoun. He stated that he was the branch manager of the Manhattan office of GMFI. Zaitoun expressed concern that Conaboy had executed unsuitable transactions in the account of his customer, Wallace. Zaitoun stated that Conaboy had moved to a new firm, Fahnestock, and was trying to transfer the Wallace account assets to Fahnestock. Zaitoun said that Conaboy was not acting in the best interest of Wallace and Zaitoun did not want to transfer the account assets from GMFI to Fahnestock.
11. The story given to the Department by Zaitoun is not supported by the facts. The actions by Zaitoun, a branch manager of GMFI, were gross violations of the Act and Rules governing the sales of securities in Arkansas. The fact that Zaitoun was the branch manager makes the activity more alarming. The Department recently learned Zaitoun continues to act as the branch manager of the Manhattan office of GMFI.

### **CONCLUSIONS OF LAW**

12. Ark. Code Ann. § 23-42-209 provides in part that whenever it appears to the commissioner, upon sufficient grounds or evidence satisfactory to the commissioner, that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order under this chapter, he may summarily order the person to cease and desist from the act or practice.
13. Ark. Code Ann. § 23-42-301(a) states that is unlawful for any person to transact business in this State as a broker-dealer or agent unless such person is registered under the terms of the Act
14. Ark. Code Ann. § 23-42-308(a) provides that the commissioner may by order deny, suspend, or revoke any registration if he finds that:
  - A. The order is in the public interest; and
  - B. The applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director; any person occupying a similar status or performing similar functions; or any person directly or indirectly controlling the broker-dealer or investment adviser:
  - C. Has willfully violated or willfully failed to comply with any provision of this chapter or a predecessor act or any rule or order under this chapter or a predecessor act;

- D. Has engaged in dishonest or unethical practices in the securities business.
15. Ark. Code Ann. § 23-42-507 provides in part that it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.
16. RULE 308.01 of the Rules of the Arkansas Securities Commissioner provides in part as follows:

Each broker-dealer and agent shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business. The following conduct shall be considered grounds for denial, suspension or revocation of a broker-dealer or agent registration, in addition to such other unethical practices within the meaning of Sections 23-42-308 and 23-42-507 of the Act.

- O. Unauthorized Transactions. Causing the execution of a transaction which is unauthorized by a customer or the sending of a confirmation in order to cause a customer to accept transactions not actually agreed upon or exercising any discretionary power in effecting a transaction for a customer's account without first obtaining written discretionary authority from the customer, unless the discretionary power relates solely to the time and/or price for the execution of orders.

### **OPINION**

17. This matter has been properly brought before the Arkansas Securities Commissioner in accordance with Ark. Code Ann. § 23-42-201 and 209.
18. From the facts known by the Department, the Commissioner has reason to believe that GMFI and Zaitoun have engaged in activity in violation of the Act by transacting business in this State as a broker-dealer and agent without registering under the terms of the Act.
19. From the facts known by the Department, the Commissioner has reason to believe that GMFI and Zaitoun have engaged in activity in violation of the Act by causing the execution of transactions which were unauthorized by a customer or sending confirmations in order to cause a customer to accept transactions not actually agreed upon.
20. Pursuant to Ark. Code Ann. § 23-42-209(a)(1), the Arkansas Securities Commissioner can and should Order GMFI and Zaitoun to immediately Cease and Desist from further actions in the State of Arkansas in connection with the offer and sale of securities.
21. This Order is in the public interest.

### **ORDER**

IT IS THEREFORE ORDERED that Glenn Michael Financial, Inc. and Maher "Mark" Talat Zaitoun CEASE AND DESIST from any further actions in the State of Arkansas in connection with the offer and sale of securities.

WITNESS MY HAND AND SEAL THIS \_\_\_\_\_ DAY OF OCTOBER, 1998.

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MAC DODSON

SECURITIES COMMISSIONER