

STATE OF ALABAMA  
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:

A.B. WATLEY DIRECT, INC  
LINUS NWAIGWE  
ROBERT MALIN

RESPONDENTS

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)  
) ADMINISTRATIVE ORDER  
) NO.CD-2006-0030  
)  
)

**CEASE AND DESIST ORDER**

The Alabama Securities Commission ("Commission"), having authority to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama, 1975, the Alabama Securities Act, upon due consideration of the subject matter hereof, and having confirmed information of the offer and sale of securities into, within, or from the State of Alabama, has determined as follows:

**RESPONDENTS**

1. A.B. WATLEY DIRECT, INC, ("ABW DIRECT") (formerly known as Hilton Capital Markets, Inc. and Integrated Clearing Systems, Inc.), Central Registration Depository (CRD) #18663, is represented to be a New York corporation, with a business address of 50 Broad Street, Suite 1728, New York, New York, 10004. ABW DIRECT was previously registered in the State of Alabama as a broker-dealer from February 8, 2001 through December 31, 2001. (ABW DIRECT is a subsidiary of A.B. Watley Group, Inc. A.B. Watley, Inc., (ABW INC), CRD# 797, a subsidiary of A.B. Watley Group, Inc., was previously registered as a broker dealer in the State of Alabama from August 20, 1996 to March 3, 2004. A.B. Watley, Inc., was expelled from the NASD on July 2, 2004).

2. LINUS NWAIGWE ("NWAIGWE"), CRD# 2613032, is represented to be the Chief Compliance Officer of ABW DIRECT, with a business address of 50

Broad Street, Suite 1728, New York, New York, 10004. At all times relevant to the violations set forth herein, NWAIGWE acted as a representative of ABW DIRECT.

3. ROBERT MALIN ("MALIN"), CRD# 1178312, is represented to be the Executive Vice President of ABW DIRECT, with a business address of 50 Broad Street, Suite 1728, New York, New York, 10004. At all times relevant to the violations set forth herein, MALIN acted as a representative of ABW DIRECT.

#### **STATEMENT OF FACTS**

4. On March 23, 2000, Hilton Capital Markets, Inc. filed for broker dealer registration in the State of Alabama. On April 28, 2000, Hilton Capital Markets, Inc. filed a name change to Integrated Clearing Solutions, Inc. On February 8, 2001, Integrated Clearing Solutions, Inc., was registered as a broker dealer in the State of Alabama. On December 5, 2001, Integrated Clearing Solutions, Inc. terminated broker dealer registration in the State of Alabama.

5. On January 9, 2004, ABW DIRECT (formerly known as Integrated Clearing Solutions, Inc.) applied for broker dealer registration in the State of Alabama. On February 3, 2004, the Commission staff issued a deficiency letter to ABW DIRECT, requesting, among other items, a statement concerning prior securities transactions in the State of Alabama. On February 3, 2004, the Commission staff issued a visitation letter to ABW DIRECT's clearing firm, Penson Financial Services, Inc.

6. On February 9, 2004, the Commission staff received a partial response from ABW DIRECT which included a statement that A.B. Watley Direct, Inc. "...has not had any prior activity in the State of Alabama." On February 9, 2004, Penson Financial Services, Inc., submitted a response to the Commission staff's visitation letter which included a list of Alabama investors and dates of securities

transactions. Documentation reflected that the accounts were transferred to ABW DIRECT from ABW INC., a previously registered Alabama broker-dealer, on February 2, 2004. The securities transaction detail reflected that ten securities transactions were effected on behalf of four Alabama investors on February 4, 2004 and February 5, 2004 with commissions totaling \$217.85.

7. On May 4, 2004, the Commission staff issued a second deficiency letter to NWAIGWE advising that the application remained deficient inasmuch as ABW DIRECT did not adequately address the deficiencies noted in the Commission staff's February 3, 2004, letter. Included in the second deficiency letter was a request for additional information concerning the transfer of customer accounts from ABW INC. to ABW DIRECT. On June 1, 2004, ABW DIRECT, via facsimile requested an extension to respond to the Commission staff's deficiency letter. On June 21, 2004, the Commission staff received a response from ABW DIRECT's legal counsel that reflected that ABW INC and ABW GROUP, INC.. did not have any formal relationship with ABW DIRECT and that ABW INC was not related to ABW DIRECT; however, ABW GROUP, INC. was the parent company of ABW DIRECT. The prior sales issue was not addressed by ABW DIRECT.

8. On August 24, 2004, a member of the Commission staff spoke with ABW DIRECT's legal counsel and advised him that due to the nature of the disciplinary history of the applicant and financial issues disclosed in the application that the Commission staff was not willing to move forward with the application. On November 17, 2004, a member of the Commission staff spoke with NWAIGWE via telephone. NWAIGWE advised that ABW DIRECT did not intend to continue using the legal counsel that had represented ABW DIRECT in previous correspondence to the Commission. The Commission staff requested that NWAIGWE provide information in writing concerning the going concern issue as disclosed in the applicant's 2003 financial statement and the NASD expulsion of

ABW INC. On November 19, 2004, the Commission staff issued an intend to deny letter to ABW DIRECT advising that the applicant had not sufficiently resolved the outstanding deficiencies or provided supporting documentation necessary to resolve the Commission staff concerns relating to the disciplinary disclosures.

9. On December 9, 2004, the Commission staff received a response from ABW DIRECT's legal counsel, addressing the concerns of the Commission staff: 1. the disciplinary disclosures and 2. the financial condition of ABW DIRECT. Counsel further advised that ABW INC. was not related to ABW DIRECT and that A.B. WATLEY GROUP, INC., was the parent of ABW DIRECT. Counsel requested that the Commission approve its pending application for broker dealer registration or maintain its application as "pending" until after the Company's auditors complete its 2004 audit in February 2005. Based on the firm's going concern issue in the 2003 audited financials, the Commission staff continued to hold the application in a pending status awaiting receipt of the 2004 audit.

10. On March 2, 2005, audited financial statements were submitted to the Commission staff on behalf of ABW DIRECT. Notes to the financials reflected that ABW DIRECT, ABW INC, and A.B. WATLEY GROUP, INC. were named defendants in an ongoing lawsuit. On July 5, 2005, the Commission staff issued a letter, via certified mail, to ABW DIRECT advising that approval of the pending broker dealer application was not considered to be in the best interest of the citizens of Alabama due to the disciplinary history disclosed in the application and the ongoing concerns relating to the applicant's financial status. Acceptance was received on July 14, 2005, as indicated by the returned certified confirmation green card. On July 20, 2005, the Commission staff issued an amended letter correcting a name error in the body of the letter. A confirmation card was never returned confirming ABW DIRECT ever received the letter. On September 21, 2005, the Commission staff issued a third letter, via certified mail, to ABW

DIRECT. The returned certified confirmation card reflected acceptance on September 30, 2005.

11. On Friday, October 21, 2005, the Commission received a complaint from an Alabama resident stating that he had been investing through ABW DIRECT for the past five years. He estimated that he made hundreds of securities transactions by either buying or selling the stock through ABW DIRECT. He stated that in September of 2005, he tried to conduct further trades through ABW DIRECT but was advised by MALIN that ABW DIRECT could no longer conduct transactions in Alabama. On 11/7/2005, a visitation letter was mailed to Linus Nwaigwe the Chief Compliance Officer for ABW DIRECT directing him to provide all records regarding the complainant's accounts. On 12/19/2005, the requested information arrived and an analysis of the complainant's account statements verified he had made in excess of 100 securities transactions through ABW DIRECT while ABW DIRECT was not registered as a broker dealer in Alabama.

#### **CONCLUSIONS OF LAW**

12. Pursuant to Section 8-6-3(a), Code of Alabama 1975, it is unlawful for any person to effect transactions in securities in the state of Alabama unless registered as a dealer or agent with the Alabama Securities Commission. Representatives of ABW DIRECT were not registered as securities dealers or agents in the State of Alabama prior to conducting securities transactions for an Alabama resident. Effecting transactions in securities in the State of Alabama as securities dealer or agent while not registered is a violation of section 8-6-3(a), Code of Alabama, 1975.

13 Pursuant to Section 8-6-3(j) (10), Code of Alabama 1975, the Commission may by order deny or bar any applicant from registration as an agent or dealer, who fails to reasonably supervise his agents or employees. ABW DIRECT, NWAIGWE, and MALIN failed to supervise to ensure that ABW DIRECT was in

compliance with state law before effecting securities transactions with an Alabama resident.

14. Pursuant to Section 8-6-16, Code of Alabama 1975, whenever it appears to the Commission that any person has engaged in or is about to engage in any act or practice constituting a violation of any provision of the Act, the Commission, in its discretion, may issue a cease and desist order against the persons engaged in the act or practice.

This Order does not prevent the Alabama Securities Commission from seeking such other civil or criminal remedies that are available to it under the Alabama Securities Act.

This Order is appropriate in the public interest for the protection of investors and consistent with the purpose of the Alabama Securities Act.

**ACCORDINGLY, IT IS HEREBY ORDERED that, A.B. WATLEY DIRECT, INC, LINUS NWAIGWE, and ROBERT MALIN CEASE AND DESIST** from further offers or sales of any securities into, within, or from the State of Alabama.

Entered at Montgomery, Alabama, this 11<sup>th</sup> day of July, 2006



ALABAMA SECURITIES COMMISSION  
770 Washington Street, Suite 570  
Montgomery, Alabama 36130-4700

BY:

A large, stylized handwritten signature in black ink, which appears to be "Joseph P. Borg", is written over the printed name and title. The signature is fluid and somewhat abstract, with long, sweeping strokes.

Joseph P. Borg  
Director

STATE OF ALABAMA  
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:

A.B. WATLEY DIRECT, INC  
LINUS NWAIGWE  
ROBERT MALIN

RESPONDENTS

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) ADMINISTRATIVE ORDER  
) NO.CD-2006- 0030  
)  
)  
)

ROBERT MALIN  
50 BROAD STREET SUITE 1728  
NEW YORK NEW YORK 10004

NOTICE OF RIGHT TO A HEARING

THE CEASE AND DESIST ORDER TO WHICH THIS NOTICE IS ATTACHED, MADE A PART THEREOF AND INCORPORATED THEREIN, IS IMPORTANT AND YOU SHOULD READ IT IN ITS ENTIRETY. AMERICAN OPTION SERVICE may request a public hearing before the Alabama Securities Commission concerning this Order by making a written request directed to the Commission pursuant to Section 8-6-32, Code of Alabama 1975. Please direct your request to the Commission as follows:

Alabama Securities Commission  
770 Washington Avenue, Suite 570  
Montgomery, Alabama 36130-4700

IF A WRITTEN REQUEST FOR A HEARING BEFORE THE ALABAMA SECURITIES COMMISSION IS NOT SUBMITTED WITHIN 28 DAYS AFTER RECEIPT OF THIS ORDER, THIS ORDER SHALL CONSTITUTE A FINAL ORDER OF THE COMMISSION.

In lieu of a formal hearing, you may request an informal meeting with the Director or the Commission staff to resolve the matter. You will not waive your rights to a formal

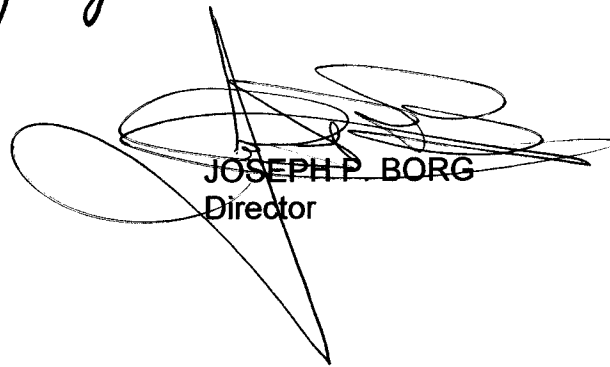
hearing. The Commission staff requests that you submit a verified statement, setting forth full details concerning your activities giving rise to this Order, no matter whether you are requesting a formal hearing, an informal meeting, or just desire to provide your side of the matter.

Please identify yourself as a Respondent and refer to the Order number when requesting a hearing, informal meeting, or otherwise corresponding with the Commission staff concerning this matter.

Appeals from any final Order of the Commission shall be made to the Circuit Court of Montgomery County, Alabama.

Done, this the 11<sup>th</sup> day of July, 2006



  
JOSEPH P. BORG  
Director

JPB/ndw



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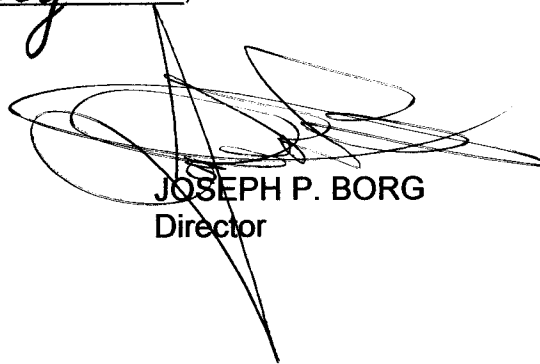
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JOSEPH P. BORG  
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JPB/ndw

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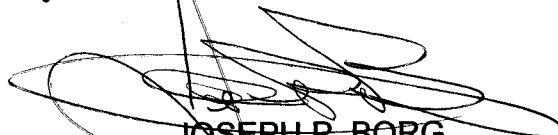
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Done, this the 11<sup>th</sup> day of July, 2006



  
JOSEPH P. BORG  
Director

JPB/ndw

UNITED STATES POSTAL SERVICE



First-Class Mail  
Postage & Fees Paid  
USPS  
Permit No. G-10

• Sender: Please print your name, address, and ZIP+4 in this box •

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ENFORCEMENT DIVISION  
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ENFORCEMENT DIVISION  
770 Washington Avenue, Suite 570  
Montgomery, AL 36130-4700



## SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

## 1. Article Addressed to:

ROBERT MALIN  
50 BROAD STREET  
SUITE 1728  
NEW YORK NY 10004

## 2. Article Number

(Transfer from service label)

RB 992 162 369 US

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-11

## COMPLETE THIS SECTION ON DELIVERY

## A. Signature

X

☐ Agent☐ Address

## B. Received by (Printed Name)

## C. Date of Delivery

7/19/06

## D. Is delivery address different from item 1?

☒ Yes

If YES, enter delivery address below:

☐ No

## 3. Service Type

☐ Certified Mail☐ Express Mail☒ Registered☒ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

## 4. Restricted Delivery? (Extra Fee)

☐ Yes

## SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

## 1. Article Addressed to:

A B WATLEY DIRECT INC  
50 BROAD STREET  
SUITE 1728  
NEW YORK NY 10004

## 2. Article Number

(Transfer from service label)

RB 992 162 372 US

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-11

## COMPLETE THIS SECTION ON DELIVERY

## A. Signature

X

☐ Agent☐ Address

## B. Received by (Printed Name)

## C. Date of Delivery

7/19/06

## D. Is delivery address different from item 1?

☒ Yes

If YES, enter delivery address below:

☐ No

## 3. Service Type

☐ Certified Mail☐ Express Mail☒ Registered☒ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

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## 1. Article Addressed to:

LINUS NWAIGWE  
50 BROAD STREET  
SUITE 1728  
NEW YORK NY 10004

## 2. Article Number

(Transfer from service label)

RB 992 162 386 US

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-11

## COMPLETE THIS SECTION ON DELIVERY

## A. Signature

X

☐ Agent☐ Address

## B. Received by (Printed Name)

## C. Date of Delivery

7-19

## D. Is delivery address different from item 1?

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