

STATE OF ALABAMA  
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:                     )  
  )  
JOSEPHTHAL & COMPANY, INC.)  
RON ADELSTEIN                     )  
DONI ADELSTEIN                    )  
  )  
\_\_\_\_\_  
  RESPONDENT                     )

ADMINISTRATIVE ORDER  
NO. SC-2002-0008

SHOW CAUSE ORDER

The Alabama Securities Commission ("Commission"), having the power 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, has determined as follows.

RESPONDENTS

1. JOSEPHTHAL & COMPANY, INC. ("RESPONDENT JOSEPHTHAL") at all times relevant was a registered Broker Dealer in the state of Alabama, with a business address of 200 Park Ave, 25<sup>th</sup> Floor, New York, NY 10166.
2. RESPONDENT RON ADELSTEIN, at all times relevant was a registered Securities Agent in the state of Alabama with RESPONDENT JOSEPHTHAL, with a residential address of 1910 Parsons Blvd., Whitestone, NY 11357.
3. RESPONDENT DONI ADELSTEIN, at all times relevant was a registered Securities Agent in the state of Alabama with RESPONDENT JOSEPHTHAL, with a residential address of 1910 Parsons Blvd., Whitestone, NY 11357.

## STATEMENT OF FACTS

4. Between April 1999, and January 2001, RESPONDENTS RON ADELSTEIN AND DONI ADELSTEIN effected transactions in a Alabama customers account that were excessive in size and frequency in light of the nature of the account, the financial resources, investment needs and objectives of the customer.

5. RESPONDENT JOSEPHTHAL failed to provide an adequate level of supervision of its registered representatives that was necessary to prevent the excessive transactions, which occurred in the Alabama resident's account.

6. Between June 1999, and February 2001, RESPONDENTS RON ADELSTEIN AND DONI ADELSTEIN effected transactions in a Pennsylvania customers account that were excessive in size and frequency in light of the nature of the account, the financial resources, investment needs and objectives of the customer.

7. RESPONDENT JOSEPHTHAL failed to provide an adequate level of supervision of its registered representatives that was necessary to prevent the excessive transactions, which occurred in the Pennsylvania resident's account.

8. Between March 2000, and January 2001, RESPONDENTS RON ADELSTEIN AND DONI ADELSTEIN effected transactions in a Virginia customers account that were excessive in size and frequency in light of the nature of the account, the financial resources, investment needs and objectives of the customer.

9. RESPONDENT JOSEPHTHAL failed to provide an adequate level of supervision of its registered representatives that was necessary to prevent the excessive transactions, which occurred in the Virginia resident's account.

10. Between November 1999, and March 2001 RESPONDENTS RON ADELSTEIN AND DONI ADELSTEIN effected transactions in a South Dakota

customers account that were excessive in size and frequency in light of the nature of the account, the financial resources, investment needs and objectives of the customer.

11. RESPONDENT JOSEPHTHAL failed to provide an adequate level of supervision of its registered representatives that was necessary to prevent the excessive transactions, which occurred in the South Dakota resident's account.

12. On June 12, 2001, The National Association of Securities Dealers, Inc., (NASD) imposed a fine and censure on RESPONDENT JOSEPHTHAL for failure to adequately supervise their employees.

13. By letter dated September 18, 2001, to Paul Henry Fitzgerald, CEO, Chairman and President of RESPONDENT JOSEPHTHAL, the Commission directed RESPONDENT JOSEPHTHAL to provide certain documents relating to an account of an Alabama resident. Among the documents requested were an accounting of total monthly commissions paid by the account.

14. RESPONDENT JOSEPHTHAL failed to provide all of the requested documents.

15. By letter dated November 19, 2001, to Paul Henry Fitzgerald, CEO, Chairman and President of RESPONDENT JOSEPHTHAL, the Commission directed RESPONDENT JOSEPHTHAL to provide the entire complaint file for the branch office located at 3 Grace Avenue, Great Neck, NY.

16. RESPONDENT JOSEPHTHAL failed to provide all of the requested documents.

17. By letter dated January 30, 2002, to Kevin B. Hurley, Director of Compliance, the Commission directed RESPONDENT JOSEPHTHAL to provide the name address and telephone number for every customer of their former registered agents Ron Adelstein and Doni Adelstein.

18. RESPONDENT JOSEPH THAL failed to provide a complete list as requested.

19. On April 18, 2001, The National Association of Securities Dealers, Inc. (NASD), a self-regulatory organization, fined and censured RESPONDENT JOSEPH THAL for failing to respond to an NASD request to produce a document.

#### CONCLUSIONS OF LAW

20. Churning is a course of business, which operates as a fraud or deceit on the unsuspecting public and is a violation of The Alabama Securities Act. The transactions reflected in paragraphs 4,6,8,and 10 above were acts of churning, as defined by the Commission Rule 830-X-3-.18.

21. Commission Rule 830-X-3-.13 requires that every dealer and officers, directors and partners thereof, exercise diligent supervision over all the securities activities of its associated persons and that a frequent examination of all customer accounts be conducted to detect and prevent irregularities or abuses.

22. Commission Rule 830-X-3-.14 requires that every dealer maintain records relating to securities accounts including but not limited to the name of the customer and all cash or other debits or credits into or from the account. The records are to be made available for inspection upon request by the Commission at a time and place designated by the Commission.

23. The Commission may by order deny, suspend or revoke any registration, or censor or bar any applicant or registrant if the Commission finds that the registrant or person has violated or failed to comply with any provision of the Act or a Commission Rule, engaged in dishonest or unethical practices, has failed to reasonably supervise its associated representatives or is the subject of an order of a self regulatory agency, that would be grounds for an order under the Alabama Securities Act.

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

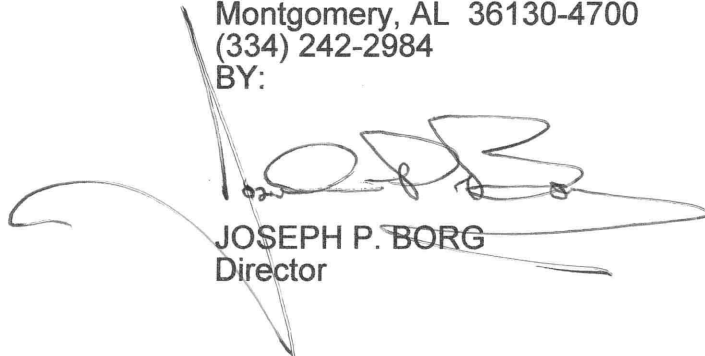
This Order does not prevent the Commission from seeking such other civil or criminal remedies that may be available to it under the Alabama Securities Act.

ACCORDINGLY, IT IS HEREBY ORDERED that RESPONDENTS SHOW CAUSE to the Commission, within 28 days of the date of this Order, why their registration as an agent and/or broker dealer should not be suspended or revoked in the state of Alabama.

Entered at Montgomery, AL, this 1<sup>st</sup> day of April, 2002.



ALABAMA SECURITIES COMMISSION  
770 Washington Avenue, Suite 570  
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(334) 242-2984  
BY:



JOSEPH P. BORG  
Director