

**BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO. S-12-0102**

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ARKANSAS SECURITIES DEPT.

IN THE MATTER OF:

NIAZ ELMAZI

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. Niaz Elmazi (“Elmazi”), CRD No. 2992689, is a New York resident who was registered with the Arkansas Securities Department (“Department”) as a broker-dealer agent with HFP Capital Markets LLC (“HFP”), CRD No. 44351, from June 9, 2009 to May 16, 2013.

FACTUAL ALLEGATIONS

2. On July 30, 2012, Elmazi contacted an Arkansas resident (“AR1”) on a cold call recommending the purchase of certain corporate bonds issued by Verso Paper Corp. (“Verso”). Elmazi was not aware at the time of the call that AR1 was employed as a Senior Securities Examiner with the Department and that he had contacted AR1 on a Department phone during business hours.

3. Elmazi pitched the Verso bonds to AR1 as a short-term investment trading at sixty cents on the dollar and paying an 11.5% coupon. To solicit AR1's investment, Elmazi represented that a takeover of Verso by its main competitor, NewPage Corporation ("NewPage"), was imminent – asserting that "it will happen in the next six weeks." Elmazi alleged that the merger of the two companies would allow Verso bondholders to make a 70% profit on their investment.

4. At the time of the cold call, the Verso bonds carried an average rating of "B" from the major credit rating agencies. Bonds with a "B" rating are labeled "highly speculative" and are colloquially referred to as "junk bonds" due to their non-investment grade status. Nonetheless, Elmazi failed to disclose to AR1 the risks associated with the purchasing a junk bond. Not only did Elmazi fail to disclose the risks, he misrepresented the safety of the investment by stating, "I'm sure you'd be happy with that kind of return in the safety of a bond." In addition to the lack of risk disclosure, Elmazi failed to conduct a proper suitability analysis with AR1 to determine if the bonds were suitable for the investor prior to recommending them for purchase.

5. As of the date of the filing of this Complaint, NewPage has not finalized any acquisition of Verso. Since the date of the cold call, the Verso bonds have been downgraded by the major credit rating agencies to a "C" rating, meaning analysts deem default is imminent with little prospect for recovery.

WILLFUL VIOLATIONS OF THE ACT

6. 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. Elmazi violated Rule 308.01(b) of the Rules when he represented to AR1 that NewPage would soon acquire Verso and investors in Verso bonds would stand to reap a 70% profit on their investment.

7. 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. Elmazi violated Ark. Code Ann. § 23-42-507(2) when he failed to disclose any risks involved with the proposed investment and represented without justification that a takeover of Verso by NewPage would occur in “the next six weeks,” leaving investors in Verso bonds to receive a 70% profit on their investment.

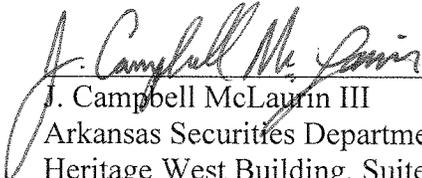
8. Rule 308.01(d) of the Rules requires that a registered agent, before recommending the purchase, sale, or exchange of any security, have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his other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

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 Elmazi’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 Elmazi's making unjustified and untruthful representations in violation of Rule 308.01(b) of the Rules and his committing securities fraud in violation of Ark. Code Ann. § 23-42-507(2). The Staff further requests all other general relief the Commissioner deems just and appropriate under the circumstances.

Respectfully Submitted,



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