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BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO. S-13-0153

ARKANSAS SECURITIES DEPT

IN THE MATTER OF:

NATHALO IAN MENENDEZ

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. Nathalo Ian Menendez (“Menendez”), CRD No. 4882003, 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 July 2, 2012 to January 17, 2013.

FACTUAL ALLEGATIONS

2. In October 2011, Menendez contacted Arkansas Resident One (“AR1”) on a cold call recommending the purchase of stock in Arm Holdings, PLC. Based on the recommendation, AR1 opened an account with Menendez and funded the account with the initial stock purchase.

3. AR1 was fifty-nine years of age at the time the account was opened. He was a conservative investor with minimal investment experience who was not interested in putting a significant amount of money at risk. He communicated his investment objectives to Menendez at the time the account was opened. Nevertheless, on the new account forms for AR1's account, Menendez marked AR1's investor profile as "speculative."

5. After the initial stock purchase from the cold call fared well, Menendez induced AR1 to deposit an additional \$80,000.00 into his brokerage account. Shortly thereafter, Menendez opened a margin account in AR1's name. Although AR1 had communicated that he was a conservative investor, Menendez began making sizeable trades on margin which produced large commissions and fees with no apparent benefit to AR1.

6. AR1 deposited a total of \$94,730.16 into his account with Menendez. The account statements reviewed by the Staff reflect that from October 2011 through March 2013 the account lost \$79,783.05 in value while being charged a total of \$20,554.03 in commissions, additional commissions, and settlement fees. The average equity in the account over this time period was \$33,417.49, resulting in a commission to equity ratio of 61.70%. A comprehensive list of the trades executed by Menendez in AR1's account is attached hereto as Exhibit "A" and incorporated herein by reference for all purposes.

7. Menendez executed the trades referred to in Exhibit "A" without having reasonable grounds for believing such transactions were suitable for AR1 in view of the size and frequency of the transactions, the transaction costs incurred, and in light of the customer's financial situation, investment objectives, and needs. Menendez controlled the trading activity in the account and rarely consulted AR1 prior to making trades. When Menendez did solicit AR1

regarding proposed trades, he failed to disclose the risks associated with the proposed securities and often exaggerated the potential return on the investment.

WILLFUL VIOLATIONS OF THE ACT

8. Rule 308.01(e) of the Rules prohibits a registered agent from inducing trading in a customer's account that is excessive in size or frequency in view of the financial resources and character of the account exclusively for the purpose of accumulating profits. Menendez violated Rule 308.01(e) of the Rules when he executed sizeable trades and derived large commissions on transactions having little benefit to AR1 in an account where the customer did not want to incur significant risks or losses.

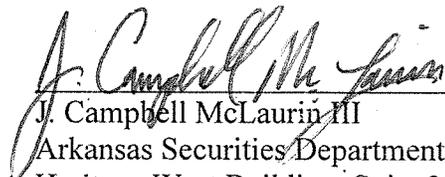
9. Rule 308.01 of the Rules provides that each broker-dealer agent shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business. Rule 308.01(b) of the Rules prohibits a broker-dealer agent from making unjustified or untruthful representations that a market will be established or that the securities will be subject to an increase in value. Menendez violated Rule 308.01(b) of the Rules when he solicited trades from AR1 and exaggerated the earnings potential and possible return associated with the proposed transactions.

10. 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. Menendez violated Rule 308.01(d) by engaging in a course of trading without having reasonable grounds to believe that the trades being made were suitable for purchase by the 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 Menendez'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 Menendez's making unjustified and untruthful representations in violation of Rule 308.01(b) of the Rules, his unsuitable trading in violation of Rule 308.01(d) of the Rules, and his excessive trading in violation of Rule 308.01(e) 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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EXHIBIT "A"

Date	B/S	Security	Quantity	Price	Amount	Commission	Misc. Fee	Firm Comm.
06/01/12	S	Ominivision Tech	(2,500.00)	13.07	32,533.31	100.00	0.74	49.95
05/31/12	B	Ominivision Tech	6,000.00	16.22	(100,724.15)	3,345.00	0.00	49.95
05/31/12	S	Western Refining Inc.	(2,500.00)	19.10	47,040.08	660.00	1.07	49.95
05/29/12	B	Ominivision Tech	4,000.00	15.42	(63,799.45)	2,050.00	0.00	49.95
05/18/12	S	Facebook, Inc.	(5,000.00)	38.00	189,846.79	100.00	4.26	49.95
05/18/12	B	Facebook, Inc.	5,000.00	39.97	(206,833.05)	6,935.00	0.00	49.95
05/15/12	B	Western Refining Inc.	2,500.00	17.47	(45,224.45)	1,475.00	0.00	49.95
05/15/12	S	Arm Holdings PLC	(200.00)	23.36	4,621.96	0.00	0.11	49.95
05/15/12	S	Skyworks Solutions	(460.00)	25.98	11,900.63	0.00	0.27	49.95
10/31/11	B	Skyworks Solutions	460.00	19.96	(9,549.18)	300.00	65.00	0.00
10/06/11	B	Arm Holdings PLC	200.00	25.59	(5,183.00)	0.00	65.00	0.00
09/04/12	P	Amarin Corp.	7,500.00	14.14	(109,766.75)	3,675.00	0.00	75.00
09/11/12	S	Ominivision Tech	(7,500.00)	16.38	121,760.99	1,000.00	2.76	75.00
03/05/13	S	Amarin Corp.	(1,500.00)	7.94	11,734.88	100.00	0.27	75.00
						19,740.00	139.48	674.55
						20,554.03		