

## [ Alerts and Updates ]

### SEC Orders Sanctions Against Unregistered Broker-Dealers

July 21, 2009

On June 19, 2009, the U.S. Securities and Exchange Commission (the "SEC") ordered sanctions against a company and its principals for acting as an unregistered broker-dealer in violation of the registration provisions of Section 15(a) of the Securities Exchange Act of 1934 (the "Exchange Act"). These sanctions are detailed in [SEC Release No. 34-60149](#).

From 2001 through 2005, Ram Capital Resources, LLC ("Ram"), through its principals Michael E. Fein and Stephen E. Saltzstein, engaged in the following activities in connection with services it provided to investors in the private investments in public equities ("PIPEs") market:

- Identifying potential PIPE offerings;
- Soliciting investors, a majority of which were hedge funds, to invest in PIPE offerings;
- Identifying and engaging issuers believed to be likely candidates to raise capital through a PIPE; and
- Acting as an intermediary between issuers and investors, which included structuring offerings, negotiating the terms of offerings, and drafting and distributing term sheets for offerings.

In exchange for its services, Ram typically received 3.5 percent of the gross amount invested by its clients as well as 25 percent of any warrants that its clients received as part of their investment. Fein's and Saltzstein's compensation was paid from the fees that Ram received in connection with PIPEs.

The SEC found, based on the activities provided by Ram, Fein and Saltzstein in numerous PIPE offerings, that:

- Ram acted as a broker without being registered, in willful violation of Section 15(a) of the Exchange Act, and
- Fein and Saltzstein acted as brokers without being registered or associated with a registered broker-dealer, in willful violation of Section 15(a) of the Exchange Act.

In its order, the SEC:

- Ordered Ram, Fein and Saltzstein to cease and desist from committing or causing any current or future violations of the broker-dealer registration requirements of the Exchange Act;
- Censured Ram;
- Suspended Fein from association with any broker or dealer for a period of 12 months and suspended Saltzstein from association with any broker or dealer for a period of six months; and
- Ordered each of Fein and Saltzstein to pay disgorgement of \$364,721 and prejudgment interest of \$83,657, in addition to civil penalties to the U.S. Department of the Treasury in the amount of \$90,000 for Fein and \$60,000 for Saltzstein.

This SEC order may signal increased attention by the commission with respect to "finders" and other unregistered broker-dealers. The order may also serve as a reminder for intermediaries not to assist investors or issuers in PIPEs or other investment opportunities and take success-based fees for providing these services without first being registered as a broker-dealer under the

Exchange Act. The sanctions imposed on Ram may caution issuers against using the services of unregistered broker-dealers, as doing so may affect the SEC's view on the validity of the entire offering.

#### For Further Information

If you have any questions regarding this Alert, please contact one of the [members](#) of the [Securities Law Practice Group](#) or the lawyer with whom you are regularly in contact.