

Thomas M. Melton (Utah State Bar No. 4999)
meltont@sec.gov
Daniel Wadley (Utah State Bar No. 10358)
wadleyd@sec.gov
Tanya G. Beard (Utah State Bar No. 9106)
beardt@sec.gov
Attorneys for Plaintiff
Securities & Exchange Commission
15 West South Temple, Suite 1800
Salt Lake City, Utah 84101
Telephone: 801-524-5796
Facsimile: 801-524-5262

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DISTRICT OF UTAH
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UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF UTAH

SECURITIES AND EXCHANGE COMMISSION,

PLAINTIFF,

v.

NATIONAL STOCK TRANSFER, a Utah corporation,
KAY BERENSON-GALSTER and ROGER GREER,

DEFENDANTS.

Case: 2:11cv00798
Assigned To : Jenkins, Bruce S.
Assign. Date : 9/1/2011
Description: SEC v. National Stock
Transfer et al

COMPLAINT

Plaintiff, Securities and Exchange Commission (the "Commission"), for its
Complaint against Defendants National Stock Transfer, Inc. ("National"), Kay Galster
("Galster") and Roger Greer ("Greer") (collectively, the "Defendants"), alleges as
follows:

INTRODUCTION

1. This matter involves violations by National, Kay Galster, and Roger Greer, of certain rules and regulations governing the operation of a transfer agent registered with the Commission. Woodward Capital Partners, LLC is a creditor of National and has taken steps to collect a debt owed by National.

JURISDICTION AND VENUE

2. This Court has subject matter jurisdiction by authority of Sections 21 and Section 27 of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. §§ 78u and 78aa].
3. Venue for this action is proper in the District of Utah under Section 27 of the Exchange Act [15 U.S.C. § 78aa] because certain of the transactions, acts, practices, and courses of business alleged in this Complaint took place in this district and because certain of the Defendants reside in and transact business in this district.
4. Defendants, unless restrained and enjoined by this Court, will continue to engage in the transactions, acts, practices, and course of business alleged herein and in transactions, acts, practices, and courses of business of similar purport and object.

DEFENDANTS

5. National Stock Transfer, Inc. is a suspended Utah corporation, owned by Greer and Galster and operated by Galster, with its principal place of business in Salt Lake City, Utah. National's corporate standing with the State of Utah lapsed in 2010. National has been registered as a transfer agent with the Commission since March 29, 1983. National acts as a transfer agent/registrars for 58 issues of common and preferred stock with a shareholder base of approximately 28,046 accounts.
6. National was previously censured by the Commission for numerous violations of the transfer agent rules, including failure to report theft of

securities and other violations in 1988. National was ordered to cease and desist from willfully aiding and abetting or causing violations or any future violations of the securities registration provisions of the federal securities laws in 2000.

7. Kay Berensen-Galster, age 59, is a Utah resident living in Salt Lake City, Utah. Galster is President and part owner of National. As President, she operates National and is familiar with its business.
8. Roger Greer, age 56, is a Utah resident living in Salt Lake City, Utah. Upon information and belief, Greer is an owner of National. Greer has been ordered to cease and desist from willfully aiding and abetting or causing violations or any future violations of the registration provisions of the federal securities laws and censured in 2000.
9. In 2007, Greer was convicted of a third degree felony for possession of child pornography. Subsequent to that conviction, Galster replaced Greer as National's president and director. Greer is Galster's brother.

STATEMENT OF FACTS

10. National Stock Transfer is a registered transfer agent. Galster is President of National. She controls National and is the person responsible for designing, implementing and controlling its policies and procedures and for making necessary filings with the Commission. During the time period relevant to this Complaint, National acted as the transfer agent for 58 issues of common and preferred stock.

11. All transfer agents must file a complete Form TA-1 in electronic format with the Commission.
12. National last filed a form TA-1 with the Commission on May 6, 2009. That TA-1 reflects that National is a Utah corporation in good standing which is inaccurate.
13. National's Form TA-1 indicated that none of its officers or other control affiliates had been convicted of any felonies. Greer—National's former president and, based on information and belief, a current owner—entered prison as a convicted felon in January 2008. Before he entered prison, he appointed his sister, Galster as President. As such, the Form TA-1 filed with this Commission is inaccurate.
14. All transfer agents, whether registered with the Commission or with another regulatory authority, must file an annual report on Form TA-2. National last filed a Form TA-2 with the Commission in 2004. According to Commission records, National has failed to file forms TA-2 for 2005, 2006, 2007, 2008, 2009 and 2010.
15. As a transfer agent, National has the obligation to keep records required by the Commission's regulations and to "turn around" or transfer securities in a timely fashion. Due to inadequate recordkeeping, National's transfer records make it impossible to determine whether it turns around items for transfer in a timely fashion.

16. A registered transfer agent is required to report all lost, stolen, counterfeit, missing or recovered certificates to the Commission or a designee. National is a direct inquirer with the Securities Information Center (SIC).
17. National has failed to report lost or stolen securities in a timely fashion in violation of the Rules governing transfer agents. In other instances, National has failed to report lost or stolen securities within two business days after discovery of the loss or theft as required by the Rules governing transfer agents.
18. A registered transfer agent is required by the federal securities laws to fingerprint each of their partners, directors, officers and employees and to submit those fingerprints to the Financial Industry Regulatory Authority. National has not submitted these records for at least two of its employees.
19. Rules governing transfer agents require that every registered transfer agent keep a current schedule, log or other record showing the business day's routine and non-routine items received from transfer and other information regarding the receipt and processing of routine and non-routine items.
20. The Exchange Act requires National to maintain certain records, including records relating to logs and other records and records relating to fingerprinting for a period of not less than two years or

three years, respectively. National failed to meet its obligations to maintain logs and properly file fingerprint cards.

21. National has not promptly and accurately posted debits and credits containing minimum and appropriate certificate detail representing every security transferred, purchased, redeemed or issued.
22. National failed to maintain control books for all its issuers, i.e. a record or document that properly shows the total number of shares (in the case of equity securities) or the principal dollar amount (in the case of debt securities) authorized and issued by the issuer. In a control book, the shares issued should correspond to the total number of shares outstanding as reflected in the master security holder files.
23. In the case of at least four issuers, National maintains two control logs that differ in the number of shares authorized and outstanding.
24. Transfer agents are required to file an annual report with the Commission concerning the transfer agent's system of internal accounting control and related procedures for the transfer of record ownership and the safeguarding of related securities and funds.
25. The Exchange Act requires that these reports be prepared by an independent accountant.
26. National has not completed these reports.
27. National is required to establish: (1) written standards for the acceptance of signature guarantees in connection with securities transfers from eligible guarantor institutions; and (2) procedures,

including written guidelines where appropriate, to ensure that those standards are used in determining whether to accept or reject guarantees from eligible guarantor institutions.

28. National lacks these written required procedures required by Exchange Act Rule 17A-15(c).
29. National is required to exercise reasonable care in ascertaining the correct addresses for the accounts of lost security holders. For example, the Rule requires that a transfer agent conduct two database searches to attempt to locate lost security holders.
30. Upon information and belief, National has not conducted any database searches, in spite of the fact that National records reflect that there were multiple lost securityholders.
31. Further, National does not have written procedures that identify the databases it uses for these searches, and that searches for assets under \$25 are unnecessary and that there is no requirement to search for a securityholder that is not a natural person.
32. These deficient written procedures and the absence of evidence National even conducts searches violate Exchange Act Rule 17Ad-17.
33. Exchange Act Rule 17Ad-19 requires registered transfer agents to establish and implement written procedures for the cancellation, storage, transportation, destruction, or other disposition of securities certificates.

34. The only written procedures developed by National provide for the contemplation of a system to scan cancelled certificates prior to destruction. This fails to address the full requirements of Exchange Act Rule 17Ad-19.
35. As described above, National committed numerous violations of the transfer agent rules commencing at least in 2006.
36. Galster, as President and part owner of National, knew, or was reckless in not knowing, of these violations since she was provided deficiency letters enumerating the violations after a 2008 and 2009 examination by the Commission.
37. In addition, since at least May 24, 2007, Galster has been the manager and primary operator of National and had a general awareness that her conduct in National's management was part of an overall activity that was improper.
38. Galster maintains National's records, plans and carries out National's activities, with some assistance from her employees.
39. Galster is responsible for making compliance decisions and interacts with issuers in all phases of the transfer process.
40. Greer was National's President in 2006 and received a deficiency letter enumerating National's violations at that time. He never took steps to correct those deficiencies.
41. On or about April 10, 2009, Woodward Capital Partners, LLC, a Michigan limited liability company, sued National and Galster seeking

\$250,000 in damages for National's failure to issue stock in an issuer for which National provided transfer services.

42. On November 18, 2009, Woodward obtained a default judgment against National and Galster for \$250,225, representing the damages plus filing fees.
43. On August 12, 2011, Woodward obtained an order from the Third District Court in Utah authorizing the Salt Lake City constable to change the locks on National's doors and seize National's assets.

FIRST CAUSE OF ACTION

Violations of Section 17(a) (3) and 17A (d) of the Exchange Act

44. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 43, above.
45. Section 17(a) (3) of the Exchange Act requires registered transfer agents to make and keep such records and to make any reports required by Section 17A (d) of the Exchange Act.
46. By reason of the foregoing, National violated, and unless restrained and enjoined, will continue to violate Section 17(a) (3) of the Exchange Act and Rule 17A (d) thereunder.

SECOND CAUSE OF ACTION

Violations of Section 17Ad-2 of the Exchange Act

47. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 43, above.
48. Exchange Act Rule 17Ad-2 requires all transfer agents to turn around within three business days of receipt at least 90 percent of all routine items received and Exchange Act Rule 17Ad-2(c) requires a transfer agent that violates Rule 17Ad-2(a) to, within ten business days

following the end of the month, file with the Commission a written notice that states, among other things, the number of routine items received during the month, the number of routine items the transfer agent failed to turn around, the reasons for such failure, and the steps that have been taken or will be taken to prevent a future failure.

49. By reason of the foregoing, National violated, and unless restrained and enjoined will continue to violate, Rule 17Ad-2 of the Exchange Act.

THIRD CAUSE OF ACTION
Violations of Rule 17f-1 of the Exchange Act

50. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 43, above.
51. Rule 17f-1 of the Exchange Act requires that a registered transfer agent report all lost, stolen, counterfeit, missing, or recovered certificates.
52. By reason of the foregoing, Defendants, and each of them, violated, and unless restrained and enjoined will continue to violate, Rule 17(f) of the Exchange Act.

FOURTH CAUSE OF ACTION
Violation of Rule 17f-2(a) of the Exchange Act

53. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 43, above.
54. Rule 17f-2(a) requires registered transfer agents to fingerprint each of their partners, directors, officers, and employee and submit those

fingerprints to the Financial Industry Regulatory Authority for identification and processing.

55. By reason of the foregoing, Defendants, directly or indirectly violated, and unless enjoined will continue to violate, Rule 17f-2(a) of the Exchange Act.

FIFTH CAUSE OF ACTION
Violation of Rule 17Ac2-1(c) of the Exchange Act

56. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 43, above.
57. Rule 17Ac2-1(c) of the Exchange Act requires all transfer agents registered with the Commission to file a complete and accurate Form TA-1 in electronic format through the SEC EDGAR system.
58. By reason of the foregoing, National violated, and unless restrained and enjoined will continue to violate, Rule 17Ac2-1(c) of the Exchange Act.

SIXTH CAUSE OF ACTION
Violation of Rule 17Ac2-2 of the Exchange Act

59. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 43, above.
60. Rule 17Ac2-2 of the Exchange Act requires all transfer agents registered with the Commission or with another regulatory authority to file an annual report on Form TA-2 in electronic format with the Commission.

61. National has failed to file Forms TA-2 for 2006, 2007, 2008, 2009, and 2010.
62. By reason of the foregoing, National violated, and unless restrained and enjoined will continue to violate, Rule 17Ac2-2 of the Exchange Act.

SEVENTH CAUSE OF ACTION
Violation of Rule 17Ad-6 of the Exchange Act

63. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 43, above.
64. Rule 17Ad-6 of the Exchange Act requires all transfer agents registered with the Commission to keep current a log, tally, journal, schedule or other record showing (1) the correct number of routine items received for transfer during each month; (2) the correct number of non-routine items received for transfer during each month; (3) the correct number of routine items received during each month which were turned around in three business days; (4) the correct number of routine items received during each month which were not turned around within three business days; (5) the correct number of non-routine items received during each month which were turned around; (6) the correct number of routine items which, as of the close of business on the last business day of each month had been in the transfer agent's possession for more than four business days; and (7) the correct number of non-routine items which at the end of each month had been in the firm's possession.

- 65. National failed to keep and maintain the required records pursuant to Rule 17Ad-6.
- 66. By reason of the foregoing, National violated, and unless restrained and enjoined will continue to violate, Rule 17Ad-6 of the Exchange Act.

EIGHTH CAUSE OF ACTION
Violation of Rule 17Ad-7 of the Exchange Act

- 67. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 43, above.
- 68. Rule 17Ad-7 of the Exchange Act requires all transfer agents to maintain certain records relating to Exchange Act Rule 17Ad-6 (logs and other records) and records relating to Exchange Act Rule 17f-2 (fingerprinting) for a period of not less than two years or three years, respectively.
- 69. National has failed to meet its obligations to maintain logs and properly maintain fingerprint cards.
- 70. By reason of the foregoing, National violated, and unless restrained and enjoined will continue to violate, Rule 17Ad-7 of the Exchange Act.

NINTH CAUSE OF ACTION
Violation of Exchange Act Rule 17Ad-10

- 71. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 43, above.

72. Rule 17Ad-10 of the Exchange Act requires all transfer agents registered with the Commission to promptly and accurately post to a master securityholder file debits and credits containing minimum and appropriate certificate detail representing every security transferred, purchased, redeemed or issued.
73. National failed to accurately post items to master securityholder files for at least four issuers.
74. By reason of the foregoing, National violated, and unless restrained and enjoined will continue to violate, Rule 17Ad-10 of the Exchange Act.

TENTH CAUSE OF ACTION
Violation of Rule 17Ad-13 of the Exchange Act

75. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 43, above.
76. Rule 17Ad-13 of the Exchange Act requires all transfer agents to file annually with the Commission an independent accountant's report concerning the transfer agent's system of internal accounting control and related procedures for the transfer of record ownership and the safeguarding of related securities and funds.
77. National did not complete the annual studies as required.
78. By reason of the foregoing, National violated, and unless restrained and enjoined will continue to violate, Rule 17Ad-13 of the Exchange Act.

ELEVENTH CAUSE OF ACTION
Violation of Rule 17Ad-15(c) of the Exchange Act

79. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 43, above.
80. Rule 17Ad-15(c) of the Exchange Act requires all transfer agents registered with the Commission to establish: (1) written standards for the acceptance of signature guarantees in connection with securities transfers from eligible guarantor institutions; and (2) procedures, including written guidelines where appropriate, to ensure that those standards are used in determining whether to accept or reject guarantees from eligible guarantor institutions.
81. National's written procedures do not conform to this requirement.
82. By reason of the foregoing, National violated, and unless restrained and enjoined will continue to violate, Rule 17Ad-15(c) of the Exchange Act.

TWELFTH CAUSE OF ACTION
Violation of Rule 17Ad-17 of the Exchange Act

83. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 43, above.
84. Rule 17Ac2-1(c) of the Exchange Act requires all recordkeeping transfer agents whose master securityholder file includes accounts of lost securityholders to exercise reasonable care to ascertain the correct addresses of such securityholders, including conducting two database searches to attempt to locate lost security holders.

- 85. National did not comply with this rule in that its written procedures did not identify the databases used for searches and other deficiencies.
- 86. By reason of the foregoing, National violated, and unless restrained and enjoined will continue to violate, Rule 17Ac2-1(c) of the Exchange Act.

THIRTEENTH CAUSE OF ACTION
Violation of Rule 17Ad-19 of the Exchange Act

- 87. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 43, above.
- 88. Rule 17Ad-19 of the Exchange Act requires every transfer agent involved in the handling, processing, or storage of securities certificates to establish and implement written procedures for the cancellation, storage, transportation, destruction, or other disposition of securities certificates.
- 89. National's written procedures do not comply with the Rule in that they lack any provision other than a system to scan cancelled certificates prior to destruction.
- 90. By reason of the foregoing, National violated, and unless restrained and enjoined will continue to violate, Rule 17Ad-17 of the Exchange Act.

FOURTEENTH CAUSE OF ACTION
Galster and Greer's Aiding and Abetting

- 91. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 43, above.

92. As described above, National violated Sections 17(a)(3) and 17A(d) of the Exchange Act and Rules 17Ad-2, 17f-1, 17Ac2-1(c), 17Ac2-2, 17Ad-6, 17Ad-7, 17Ad-10, 17Ad-13, 17Ad-15(c), 17Ad-17, and 17Ad-19 thereunder.
93. Galster and Greer knowingly or recklessly provided substantial assistance to National in connection with these violations.
94. By reason of the foregoing, Defendants Galster and Greer aided and abetted, and unless restrained and enjoined will to aid and abet violation of Sections 17(a)(3) and 17A(d) of the Exchange Act and Rules 17Ad-2, 17f-1, 17Ac2-1(c), 17Ac2-2, 17Ad-6, 17Ad-7, 17Ad-10, 17Ad-13, 17Ad-15(c), 17Ad-17, and 17Ad-19.

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court:

I

Issue findings of fact and conclusions of law that the Defendants committed the violations charged herein.

II

Issue in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure orders that temporarily, preliminarily and permanently enjoin, Defendant National, and its officers, agents, servants, employees, attorneys, and accountants, and those persons in active concert or participation with any of them, who receive actual notice of the order by personal service or otherwise, and each of them, from engaging in transactions, acts, practices, and courses of business described herein, and from engaging in conduct of

similar purport and object in violation of Sections 17(a)(3) and 17A(d) of the Exchange Act and Rules 17Ad-2, 17f-1, 17Ac2-1(c), 17Ac2-2, 17Ad-6, 17Ad-7, 17Ad-10, 17Ad-13, 17Ad-15(c), 17Ad-17, and 17Ad-19 thereunder.

III

Issue in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure orders that temporarily, preliminarily and permanently enjoin, Defendants Galster and Greer, and their officers agents, servants, employees, attorneys, and accountants, and those persons in active concert or participation with any of them, who receive actual notice of the order by personal service or otherwise, and each of them, from engaging in transactions, acts, practices, and courses of business described herein, and from aiding and abetting and engaging in conduct of similar purport and object in violation of Sections 17(a)(3) and 17A(d) of the Exchange Act and Rules 17Ad-2, 17f-1, 17Ac2-1(c), 17Ac2-2, 17Ad-6, 17Ad-7, 17Ad-10, 17Ad-13, 17Ad-15(c), 17Ad-17, and 17Ad-19 thereunder.

IV

Issue in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure orders that temporarily, preliminarily and permanently restrain and enjoin Defendants, and each of them, and their officers agents, servants, employees, attorneys, and accountants, and those persons in active concert or participation with any of them, who receive actual notice of the order by personal service or otherwise, and each of them, from destroying, mutilating, concealing, transferring, altering, or otherwise disposing of, in any manner, books, records, computer programs, computer files, computer printouts, correspondence, including e-mail, whether stored electronically or in hard-copy,

memoranda, brochures, or any other documents of any kind that pertain in any manner to the business of the Defendants.

V

Enter an order directing Defendants, and each of them, to pay civil money penalties pursuant to Section 21(d) (3) of the Exchange Act.

VI

Enter an order staying the enforcement of the Judgment in the case captioned Woodward Capital Partners, LLC v. National Stock Transfer, Inc., a Utah corporation and Kay Galster, Civil No. 096939208 FJ, filed in the Third District Court, State of Utah in and for Salt Lake County, Salt Lake Department. This proceeding is hereinafter referred to as the “Ancillary Proceeding”. The parties to the Ancillary Proceeding are enjoined from commencing or continuing any such legal proceeding, or from taking any action, in connection with any such proceeding, including, but not limited to, the issuance or employment of process. The Ancillary Proceeding is stayed in its entirety, and all Courts having any jurisdiction thereof are enjoined from taking or permitting any action until further Order of this Court. Any applicable statute of limitations is tolled during the period in which this injunction against commencement of legal proceedings is in effect as to that cause of action.

VII

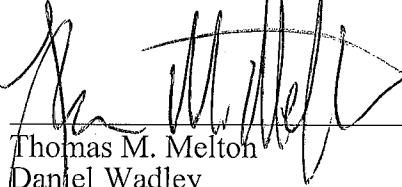
Grant such further equitable relief as this Court deems just, appropriate, and necessary, including, but not limited to the acceleration of discovery, including the forthwith production of documents.

VIII

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

Dated this 14th day of September, 2011.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Thomas M. Melton", written over a horizontal line.

Thomas M. Melton
Daniel Wadley
Tanya Beard
Attorneys for Plaintiff
Securities and Exchange Commission