

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 10293 / January 25, 2017**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 79877 / January 25, 2017**

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 32451 / January 25, 2017**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-17813**

**In the Matter of**

**WINDSOR STREET  
CAPITAL, L.P. (f/k/a  
MEYERS ASSOCIATES,  
L.P.) and  
JOHN DAVID TELFER,**

**Respondents.**

**ORDER INSTITUTING  
ADMINISTRATIVE AND CEASE-  
AND-DESIST PROCEEDINGS  
PURSUANT TO SECTION 8A OF THE  
SECURITIES ACT OF 1933,  
SECTIONS 15(b) AND 21C OF THE  
SECURITIES EXCHANGE ACT OF  
1934, AND SECTION 9(b) OF THE  
INVESTMENT COMPANY ACT OF  
1940 AND NOTICE OF HEARING**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Windsor Street Capital, L.P. (formerly known as Meyers Associates, L.P.) (“Meyers Associates”) and John David Telfer (“Telfer”) (collectively, “Respondents”).

## **II.**

After an investigation, the Division of Enforcement alleges that:

### **A. RESPONDENTS**

1. Respondent Meyers Associates is a New York limited partnership registered with the Commission as a broker-dealer since July 1993. Meyers Associates is headquartered in New York, New York and has active branch offices elsewhere in New York, and in Florida, Virginia, Pennsylvania, and Arizona.

2. Respondent Telfer became associated with Meyers Associates in September 2013 and was its chief compliance officer and anti-money laundering (“AML”) officer from November 2013 until his separation from the firm in September 2016.

### **B. SUMMARY OF CLAIMS**

3. On numerous occasions, from at least June 2013 to the present, Meyers Associates violated Securities Act Section 5 by facilitating the unregistered sale of hundreds of millions of penny stock shares, without performing adequate due diligence regarding the sales’ Section 5 compliance.

4. In addition, regarding the same penny-stock transactions as well as others, Meyers Associates repeatedly violated Exchange Act Section 17(a), and Rule 17a-8 thereunder, by failing to file suspicious activity reports (“SARs”) with the United States Treasury Department’s Financial Crimes Enforcement Network (“FinCEN”), as required by the Bank Secrecy Act of 1970 (“BSA”) and its implementing regulations. Meyers Associates failed to file required SARs for suspicious penny stock sale transactions that resulted in proceeds of at least \$24.8 million.

5. From June 2013 to the present, Meyers Associates earned a total of at least \$493,000 in commissions and fees from the above illegal penny-stock sales and unreported suspicious transactions.

6. Respondent Telfer was Meyers Associates’ AML officer and, pursuant to the firm’s written AML program (the “AML Program”), was personally responsible for monitoring customer transactions for suspicious activity and ensuring the firm’s compliance with SAR reporting requirements. By failing to monitor customer transactions and failing to cause the firm to file the required SAR reports, Telfer aided and abetted, and caused, Meyers Associates’ violations of Exchange Act Section 17(a) and Rule 17a-8 thereunder.

### **C. MEYERS ASSOCIATES’ SECTION 5 VIOLATIONS**

7. From January to October 2014, Meyers Associates sold hundreds of millions of shares of stock issued by MedGen, Inc. (“MedGen”), Alternaturals, Inc. (“Alternaturals”), Manzo Pharmaceuticals, Inc. (“Manzo”), and Solpower, Inc.

(collectively, the “Stock Sales”) on behalf of its customers Raymond H. Barton (“Barton”) and William G. Goode (“Goode”).

8. None of the Stock Sales was registered with the Commission.

9. Meyers Associates violated Securities Act Section 5 by engaging in the Stock Sales on behalf of Barton and Goode without first performing a reasonable inquiry of whether the Stock Sales complied with Section 5.

10. Barton and Goode represented to Meyers Associates that their Stock Sales were exempt from Section 5 pursuant to the Securities Act Rule 144 safe harbor. Specifically, Barton and Goode represented to Meyers Associates that they were not affiliated with the issuers; that they had held the securities at issue (convertible promissory notes) for more than a year; and that the issuers were not shell companies. If all of these representations had been true, Barton and Goode would have qualified for the Rule 144 safe harbor. For each of the Stock Sales, however, at least one of the representations was false. Meyers Associates accepted all of Barton and Goode’s representations at face value, without further inquiry. A reasonable inquiry of the Stock Sales by Meyers Associates would have, at the least, cast doubt on the factual underpinnings for the customers’ reliance on Rule 144.

11. Meyers Associates received approximately \$120,000 in commissions for facilitating Barton and Goode’s illegal unregistered distributions.

**D. RESPONDENTS’ SECTION 17(a) VIOLATIONS**

Background

12. Subject to certain exceptions not relevant here, the BSA implementing regulations requires broker-dealers to file SARs with FinCEN regarding any transaction “conducted or attempted by, at, or through a broker-dealer . . . involve[ing] or aggregate[ing] funds or other assets of at least \$5,000,” where:

the broker-dealer knows, suspects, or has reason to suspect that the transaction (or a pattern of transactions of which the transaction is a part):

- (i) Involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity . . . as part of a plan to violate or evade any Federal law or regulation or to avoid any transaction reporting requirement under Federal law or regulation;
- (ii) Is designed . . . to evade any requirements of [the BSA];
- (iii) Has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to

engage, and the broker-dealer knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction; or

(iv) involves use of the broker-dealer to facilitate criminal activity.

31 C.F.R. § 1023.320 (the “SAR Rule”).

13. Exchange Act Rule 17a-8 requires broker-dealers (such as Meyers Associates) to comply with the SAR Rule, as well as the other reporting, recordkeeping and record retention requirements of the BSA implementing regulations.

14. Meyers Associates’ written AML program (the “AML Program”) stated that the firm “will file [SARS] with FinCen” as required by the BSA.

15. The AML Program further stated that Meyers Associates “will monitor account activity for unusual size, volume, pattern or type of transactions, taking into account risk factors and red flags that are appropriate to our business.” The AML Program listed such “red flags,” including: (a) a customer’s “[r]eluctance to provide complete information about nature and purpose of business, . . . anticipated account activity, officers and directors or business location”; (b) a customer’s “[b]ackground is questionable or differs from expectations based on business activities”; (c) “[t]wo or more [customer] accounts trade an illiquid stock suddenly and simultaneously”; (d) a customer’s “transactions include a pattern of receiving stock in physical form or the incoming transfer of shares, selling the position and wiring out proceeds”; and (e) a customer engages in penny-stock transactions, in which the issuer “has no business, no revenues, no revenues and no product,” or “undergoes frequent material changes in business strategy or its line of business.”

16. The AML Program further stated that when “an employee of [Meyers Associates] detects any red flag, or other activity that may be suspicious, he or she will notify the AML Compliance Person [Telfer]. Under the direction of [Telfer], the firm will determine whether or not and how to further investigate the matter. This may include gathering additional information internally or from third-party sources, contacting the government, freezing the account and/or filing a [SAR].”

17. In January 2009, the Financial Industry Regulatory Authority (“FINRA”) posted on its website written guidance for broker-dealers entitled “Unregistered Sales of Restricted Securities,” which lists many of the same red flags listed in the AML Program.

18. On October 9, 2014, the Commission’s Office of Compliance Inspections and Examinations (“OCIE”) posted on the Commission’s website guidance similar to FINRA’s, entitled “Broker-Dealer Controls Regarding Customer Sales of Microcap Securities,” which lists many of the same red flags listed in the AML Program and several additional red flags. The additional red flags include: “[a]typical trading patterns in the issuers’ securities, including trading involving sudden spikes in price and volume”;

“[n]otifications received from the broker-dealers’ clearing firms that the clearing firms had identified potentially suspicious activity in the securities of certain issuers or certain of the broker-dealers’ customer accounts”; and “[s]ales through the broker-dealer by individuals known throughout the industry to be stock promoters.”

19. Notwithstanding its AML Program, and the FINRA and OCIE guidance, Meyers Associates repeatedly violated Exchange Act Section 17(a) and Rule 17a-8 thereunder, and Telfer caused and aided and abetted those violations, by failing to file required SARs concerning dozens of potentially illegal stock sale transactions by its customers, for a total of at least \$24.8 million in proceeds.

20. The violations described below all relate to Meyers Associates’ penny stock liquidation business, in which the firm routinely accepted physical deposits of large blocks of penny stock shares and allowed its customers to liquidate them, followed by the customers transferring out the sale proceeds. The information submitted to Meyers Associates in connection with such deposits put the firm and Telfer on notice of numerous red flags highlighted in the firm’s AML Program. Moreover, certain red flags were brought directly to Telfer’s attention through notifications from Meyer Associates’ clearing firm.

21. Notwithstanding the presence of multiple red flags, Meyers Associates and Telfer, contrary to the AML Program, failed to undertake a reasonable investigation to determine whether a SAR filing would be necessary. Had the firm undertaken a reasonable investigation, it would have identified still additional reasons supporting filing a SAR with regard to the transactions.

#### Barton and Goode’s Trading in Alternaturals, MedGen and Manzo Shares

22. Meyers Associates and Telfer failed to file required SARs concerning Barton and Goode’s dozens of sales of large blocks of Alternaturals, MedGen and Manzo penny stock (for total proceeds of approximately \$2.9 million), despite the following strong indicia of suspicious activity.

23. Barton and Goode’s activity included “red flags” listed in the AML Program, including their nearly simultaneous trading in both customers’ accounts; a pattern of depositing shares, quickly liquidating them, and wiring out the proceeds; and changes in the issuers’ business plans at or about the time Barton and Goode’s trading began.

24. In addition, information readily available to Meyers Associates should have caused it to suspect that Barton and Goode were engaging in a fraudulent penny-stock pump-and-dump scheme. For example, a Google search that Meyers Associates conducted for Barton identified a post concerning him on the website “pumpsanddumps.com.” Furthermore, Meyers Associates had reason to doubt the legitimacy of the transactions through which Barton and Goode acquired the penny stock they sold because there were inconsistencies suggesting that some of the promissory notes they presented to Meyers Associates were inauthentic. Finally, Barton and Goode’s trading typically coincided with sensational issuer press releases.

Customer A's Trading in NewLead Holdings Ltd.

25. Meyers Associates and Telfer failed to file required SARs concerning Customer A's dozens of sales of penny stock issued by NewLead Holdings Ltd. ("NewLead") (for total proceeds of approximately \$20.5 million), despite the following strong indicia of suspicious activity.

26. Customer A's pattern of trading in NewLead fit the AML Program "red flag" of depositing penny stock in physical form (*i.e.*, certificates), quickly selling them, and wiring out the proceeds (hereinafter, "Penny Stock Liquidations"), as well as several other suspicious circumstances: (a) a representative of Customer A had been convicted of securities fraud (which Meyers Associates learned of through an Internet search it performed at the time Customer A opened its Meyers Associates account); (b) Customer A's representations to Meyers Associates regarding how it obtained its NewLead stock were inconsistent with the documentation Customer A submitted; and (c) some of Customer A's sales of NewLead stock coincided with company press releases that NASDAQ had determined were misleading, resulting in NewLead issuing a corrective statement.

Customer B's Trading in FirstIn Wireless Technology, Inc.

27. Meyers Associates and Telfer failed to file required SARs concerning Customer B's dozens of sales of stock issued by FirstIn Wireless Technology, Inc. ("FirstIn") (for total proceeds of approximately \$688,000), despite the following strong indicia of suspicious activity.

28. Customer B's sales of FirstIn were Penny Stock Liquidations and were accompanied by several other suspicious circumstances: (a) when Customer B opened its Meyers Associates account, Telfer and the registered representative on the account (who was Meyers Associates' majority owner) learned that Customer B previously had settled a Commission enforcement action involving alleged fraud and had pleaded guilty in a related criminal case to conspiracy to commit money laundering; (b) just prior to the trading, FirstIn had changed its business plan from pet supply company to a wireless communications software developer; (c) Customer B had acquired his FirstIn shares under suspicious circumstances (for example, Customer B obtained the shares by converting a promissory note that included handwritten alterations to the formula for converting the debt into shares); and (d) Customer B sold its FirstIn shares while the company was touting itself through an online promotional campaign.

Customer C's Trading in Choose Rain Inc.

29. Meyers Associates and Telfer failed to file required SARs concerning Customer C's dozens of sales of stock issued by Choose Rain Inc. ("Choose Rain") (for total proceeds of approximately \$38,900), despite the following strong indicia of suspicious activity.

30. Customer C's sales of Choose Rain were Penny Stock Liquidations and were accompanied by several other suspicious circumstances: (a) Customer C emailed his Meyers Associates registered representative that he wanted the stock deposited before Choose Rain issued "press releases next week"; (b) over the next two months, and during Customer C's sales, Choose Rain issued ten press releases promoting its stock; and (c) Customer C falsely represented to Meyers Associates that Choose Rain was not a shell company (despite then-existing Choose Rain public filings indicating that the issuer had no assets or revenues).

#### Customer D's Trading in OSL Holdings, Inc.

31. Meyers Associates and Telfer failed to file required SARs concerning Customer D's more than 100 of sales of stock issued by OSL Holdings, Inc. ("OSLH") (for total proceeds of approximately \$261,000), despite the following strong indicia of suspicious activity.

32. Customer D's sales of OSLH were Penny Stock Liquidations and coincided with OSLH press releases promoting new products and services aimed at entering the medical marijuana industry.

#### Customers E and F's Trading in Innovative Product Opportunities

33. Meyers Associates failed to file required SARs regarding Customers E and F's sales of stock issued by Innovative Product Opportunities ("Innovative") (for total proceeds of approximately \$109,000), despite the following strong indicia of suspicious activity.

34. Customer E and F's sales of Innovative were Penny Stock Liquidations and were accompanied by several other suspicious circumstances: (a) Meyers Associates' clearing firm had rejected Customer E's previous attempt to deposit shares of a different issuer – due to a large discrepancy between Customer E's purchase price for those shares and their reported market value; (b) a very large discrepancy likewise existed between Customers E and F's purchase price for the Innovative shares and the sale price; (c) contrary to Innovative's public filings, Customers E and F falsely represented to Meyers Associates that Innovative was not a development stage company; and (e) after the Innovative trades, Meyers Associates' clearing firm informed Meyers Associates that it no longer would clear trades placed by either customer.

#### Customer G's Trading in ProtoKinetix, Inc.

35. Meyers Associates and Telfer failed to file required SARs regarding Customer G's dozens of sales (for total proceeds of approximately \$100,000) of stock issued by ProtoKinetix, Inc. ("PKTX"), despite the following strong indicia of suspicious activity.

36. Customer G's sales of PKTX were Penny Stock Liquidations, and were accompanied by an online promotional campaign by the issuer.

Customer H's Trading in Discovery Minerals, Ltd.

37. Meyers Associates and Telfer failed to file required SARs regarding Customer H's dozens of sales of stock issued by Discovery Minerals, Ltd. ("DSCR") (for total proceeds of approximately \$85,000), despite the following strong indicia of suspicious activity.

38. Customer H's sales of DSCR were Penny Stock Liquidations and occurred in the midst of a promotional campaign by the issuer. Over the nine months that Customer H traded DSCR stock, DSCR issued approximately 25 sensational press releases relating to a purported new venture, and both DSCR's stock price and volume increased significantly during this time period.

**E. VIOLATIONS**

1. As a result of the conduct described above, Meyers Associates willfully violated Section 5(a) and 5(c) of the Securities Act and Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

2. As a result of the conduct described above, Telfer willfully aided and abetted, and caused, Meyers Associates' violations of Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

**III.**

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondents an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondents pursuant to Section 15(b) of the Exchange Act including, but not limited to, disgorgement and civil penalties pursuant to Section 21B of the Exchange Act;

C. What, if any, remedial action is appropriate in the public interest against Telfer pursuant to Section 9(b) of the Investment Company Act; and

D. Whether, pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, Meyers Associates should be ordered to cease and desist from committing or causing violations of and any future violations of Sections 5(a) and 5(c) of the Securities Act or Section 17(a) of the Exchange Act and Rule 17a-8 thereunder, whether Telfer should be ordered to cease and desist from committing or causing violations of and any future violations of Section 17(a) of the Exchange Act and Rule 17a-8 thereunder, whether Meyers Associates and Telfer should be ordered to pay a civil penalty pursuant to



Section 8A(g) of the Securities Act and Section 21B(a) of the Exchange Act, and whether Meyers Associates should be ordered to pay disgorgement pursuant to Section 8A(e) of the Securities Act and Sections 21B(e) and 21C(e) of the Exchange Act.

#### IV.

IT IS ORDERED that a public hearing for purposes of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondents shall file Answers to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondents fail to file the directed answers, or fail to appear at a hearing after being duly notified, the Respondents may be deemed in default and the proceedings may be determined against them upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Meyers Associates and Telfer as provided for in the Commission's Rules of Practice.

IT IS FURTHER ORDERED that, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice, 17 C.F.R. § 201.360(a)(2), the Administrative Law Judge shall issue an initial decision no later than 120 days from the occurrence of one of the following events: (A) The completion of post-hearing briefing in a proceeding where the hearing has been completed; (B) Where the hearing officer has determined that no hearing is necessary, upon completion of briefing on a motion pursuant to Rule 250 of the Commission's Rules of Practice, 17 C.F.R. § 201.250; or (C) The determination by the hearing officer that a party is deemed to be in default under Rule 155 of the Commission's Rules of Practice, 17 C.F.R. § 201.155 and no hearing is necessary.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not “rule making” within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Brent J. Fields  
Secretary