

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10392 / July 28, 2017

SECURITIES EXCHANGE ACT OF 1934
Release No. 81254 / July 28, 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 MAKING FINDINGS AND
IMPOSING REMEDIAL SANCTIONS AND A
CEASE-AND-DESIST ORDER PURSUANT
TO SECTION 8A OF THE SECURITIES ACT
OF 1933 AND SECTIONS 15(b) AND 21C OF
THE SECURITIES EXCHANGE ACT OF
1934 AS TO WINDSOR STREET CAPITAL,
L.P.**

I.

On January 25, 2017, The Securities and Exchange Commission (“Commission”) initiated these proceedings pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Windsor Street Capital, L.P. (“Meyers Associates” or “Respondent”).

II.

Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 8A of the Securities Act of 1933 and Sections 15(b) and 21C of the Securities Exchange Act of 1934 as to Windsor Street Capital, L.P. (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

Summary

1. On numerous occasions, from at least June 2013 to January 2016, Meyers Associates violated Securities Act Sections 5(a) and 5(c) by facilitating the unregistered sale of hundreds of millions of penny stock shares, without performing adequate due diligence regarding the sales' Section 5 compliance.

2. In addition, Meyers Associates repeatedly violated Exchange Act Section 17(a), and Rule 17a-8 thereunder, by failing to file suspicious activity reports ("SARs") with the 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 dozens of suspicious penny stock sale transactions.

Respondent

3. 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.

Meyers Associates' Unregistered Distributions of Penny Stock Shares

4. From January to October 2014, Meyers Associates sold hundreds of millions of shares of stock issued by MedGen, Inc., Alternaturals, Inc., Manzo Pharmaceuticals, Inc., and Solpower, Inc. (collectively, the "Stock Sales") on behalf of its customers Raymond H. Barton ("Barton") and William G. Goode ("Goode").

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

6. 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 as to whether the Stock Sales complied with Section 5.

7. 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 (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

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

have qualified for the Rule 144 safe harbor. For each of the Stock Sales, however, at least one of the representations was false.

8. Meyers Associates accepted all of Barton and Goode's representations at face value, without further inquiry.

9. A reasonable inquiry of the Stock Sales by Meyers Associates would have, at the least, cast doubt on the factual underpinnings for Barton's and Goode's reliance on Rule 144.

Meyers Associates' Failure to File SARs

10. Subject to certain exceptions not relevant here, the BSA implementing regulations require broker-dealers to file SARs with FinCEN regarding any transaction "conducted or attempted by, at, or through a broker-dealer" that "involves or aggregates 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").

11. 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.

12. Meyers Associates' written AML program (the "AML Program") stated that the firm "will file [SARS] with FinCen" as required by the BSA.

13. 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.”

14. 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. Under the direction of the AML Compliance Person, 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].”

15. Notwithstanding its AML Program, Meyers Associates repeatedly violated Exchange Act Section 17(a) and Rule 17a-8 thereunder by failing to file required SARs concerning dozens of potentially illegal stock sale transactions by its customers.

16. The violations below all related to Meyers Associates’ penny stock liquidation business, in which the firm routinely accepted 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 on notice of numerous red flags highlighted in the firm’s AML Program. Moreover, certain red flags were brought directly to the firm’s attention through notifications from Meyer Associates’ clearing firm.

17. Notwithstanding the presence of multiple red flags, Meyers Associates, 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.

Violations

18. 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.

Undertakings

Respondent undertakes to:

19. Not accept customer deposits of stock trading at less than \$5.00 (“low priced securities”) in any manner (including, without limitation, deposits of certificates or transfers of shares from other broker-dealers); provided, however, that the firm may accept customer orders to buy low priced securities on the open market;

20. Within thirty days of this Order, retain an independent consultant (the “Independent Consultant”), not unacceptable to the Division of Enforcement, for a period of two years to: (a) review and recommend, as appropriate, mandatory enhancements to the firm’s AML policies and procedures; and (b) provide to the Division, on a semiannual basis, (i) a written assessment of the adequacy of the firm’s AML policies and procedures and its adherence to the same for the prior six-month period; and (ii) a report of the number of cases reviewed and decided by the AML officer or his or her designee for potential SAR filing;

21. Remediate any deficiencies identified by the Independent Consultant in the semi-annual reports above;

22. Require the Independent Consultant to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Independent Consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with Meyers Associates, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the Independent Consultant will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the Independent Consultant in performance of his/her duties under this Order shall not, without prior written consent of the Division, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Meyers Associates, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement; and

23. Certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence. The certification and supporting material as to the undertakings set forth in paragraph 19 shall be submitted to Philip A. Fortino, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than seven (7) days after the entry of this Order and then annually on the anniversary of the initial certification for a period of ten (10) years. For the avoidance of doubt, the undertaking in paragraph 19 is intended to be perpetual and continue beyond the end of the ten-year certification period. The certification as to the undertakings set forth in paragraphs 20-22 shall be submitted to the same parties no later than (60) days from the date of completion of the undertakings.

IV.

On the basis of the foregoing, Respondent hereby consents to the entry of an Order by the Commission imposing the following sanctions pursuant to Section 8A of the Securities Act and Sections 15(b) and 21C of the Exchange Act:

A. Respondent Meyers Associates shall cease and desist from committing or causing any violations and any future violations of Sections 5(a) and 5(c) of the Securities Act and Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

B. Respondent Meyers Associates is censured.

C. Respondent Meyers Associates shall pay a civil money penalty in the amount of \$200,000.00 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). Payment shall be made in the following installments: (i) \$50,000.00 due seven (7) days after the entry of this Order; and (ii) twelve (12) payments of \$12,500.00 due monthly on the day of the month this Order is entered, beginning in the month after the Order is entered. Payments shall be deemed made on the date they are received by the Commission and shall be applied first to post-order interest, which accrues pursuant to 31 U.S.C. § 3717. Prior to making the final payment set forth herein, Meyers Associates shall contact the staff of the Commission for the amount due for the final payment. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of civil penalties, plus any additional interest accrued pursuant to 31 U.S.C. 3717, minus any payments made, shall be due and payable immediately at the discretion of the staff of the Commission, without further application.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Meyers Associates as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Lara Shalov Mehraban, Associate Director, Division of Enforcement, Securities and Exchange Commission, 200 Vesey Street, Suite 400, New York, NY 10281.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

E. Respondent shall comply with the undertakings enumerated in paragraphs 19 to 23, above.

By the Commission.

Brent J. Fields
Secretary