

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

Case No.

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)
SECURITIES AND EXCHANGE COMMISSION,)
)
Plaintiff,)
)
v.)
) **COMPLAINT**
L. DANIEL FERRER,)
)
Defendant.)
)
-----x

Plaintiff Securities and Exchange Commission (the "SEC") alleges as follows:

NATURE OF THE ACTION

1. This case involves defendant L. Daniel Ferrer's participation in a scheme to defraud investors in Weida Communications, Inc., a former publicly traded company based in Fort Lauderdale, Florida.
2. From at least June 2004 through April 2005, Anthony Giordano and Joseph Zumwalt (the Promoters) who controlled Weida, and closely affiliated stock brokers acting at their direction, engaged in a scheme to defraud which included manipulating and supporting the market price for Weida common stock at artificially high levels. During this period, the stock price, as a consequence of the manipulation, did not accurately reflect the legitimate forces of supply and demand in a free and open market for the stock.
3. Two of the goals of the Promoters of the manipulative scheme were facilitating the sale of Weida stock in private transactions at prices higher than the stock

was actually worth, and attempting to satisfy the NASDAQ National Market's (now known as NASDAQ Global Market) listing requirements, which mandated that the stock must trade at \$5 per share over a given time period to be eligible for listing.

4. In furtherance of this scheme, Ferrer and one of the Promoters, Joseph Zumwalt, used two brokerage accounts which Ferrer established in his own name and that of his law firm to execute transactions in Weida common stock on the open market. These transactions in Weida stock executed in Ferrer's accounts fraudulently supported the price of Weida stock at artificially inflated levels and gave the false appearance of liquidity in the market for Weida stock.

5. By engaging in such conduct, Ferrer violated, and unless enjoined will continue to violate, Section 10(b) of the Securities Exchange Act of 1934 [15 U.S.C. § 78j(b)] (Exchange Act) and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

6. Ferrer also aided and abetted, as set forth in Exchange Act Section 20(e) [15 U.S.C. § 78t(e)], the Promoter's violations of Exchange Act Section 10(b) and Rule 10b-5 thereunder. Unless enjoined, Ferrer will continue to violate these same provisions.

JURISDICTION

7. This Court has jurisdiction over this action pursuant to Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa]. Ferrer has, directly or indirectly, made use of the means or instrumentalities of interstate commerce and/or of the mails in connection with the transactions described in this Complaint.

DEFENDANT

8. **L. Daniel Ferrer** is an attorney licensed to practice law in the State of Florida. Ferrer was outside counsel for Weida Communications, Inc. during all times

relevant to this Complaint. He lives in Fort Lauderdale, Florida where his practice has included, among other things, representing clients in securities-related matters before the SEC and the NASD.

RELEVANT PERSONS AND ENTITIES

9. **Weida Communications, Inc.** (“Weida” or “company”) was a New Jersey corporation which was headquartered in Fort Lauderdale, Florida at all times relevant to this Complaint.

10. Weida marketed itself as providing ground-based transmitters and receivers that purportedly allowed corporate and government customers to use satellite communications in China.

11. During the relevant period, Weida’s common stock was registered with the Commission under Section 12(g) of the Exchange Act and traded on the Over-the-Counter Bulletin Board (OTC Bulletin Board) under the symbol WDAC.

12. On December 30, 2005, Weida announced that it had no effective interest in the China operations it had previously claimed to control. On March 29, 2006, Weida filed a voluntary petition for relief under Chapter 7 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Ohio.

13. **GlobalVest Group, Inc.** (“GlobalVest”) was a registered broker/dealer headquartered in Irvine, California, at all times relevant to this Complaint. GlobalVest operated a branch office in Fort Lauderdale, Florida located in the same building as Weida from May 2004 until May 2005, when the branch was closed. The principal activity of GlobalVest’s Fort Lauderdale branch was selling Weida stock.

14. **Anthony Giordano** was a controlling shareholder of Weida at all times relevant to this Complaint.

15. **Joseph Zumwalt** held the title of Chief Financial Officer of Weida at all times relevant to this Complaint.

FACTS

16. During the period from at least June 16, 2004 until their arrest on April 22, 2005, Giordano and Zumwalt, in conjunction with stock brokers at Global Vest's Fort Lauderdale branch and other associates, manipulated and supported Weida's stock price at artificially inflated levels through fraudulent stock transactions.

17. The purpose of these fraudulent stock transactions was to maintain the closing price of Weida common stock at artificially inflated levels, generally \$5 per share or above, and to create the false appearance of a liquid market for Weida stock, in order to facilitate the sale of stock in private transactions at artificially high levels. The purpose was also to attempt to satisfy the NASDAQ National Market's (now known as NASDAQ Global Market) listing requirements, which mandated that the stock must trade at \$5 per share for a given time period to be eligible for listing. As the Promoters knew, a NASDAQ listing would substantially increase Weida stock's credibility and attractiveness as an investment.

18. The manipulation took several forms. In some instances, the Promoters orchestrated "marking-the-close" transactions in Weida stock. Marking-the-close is the practice of executing the last transaction of the day for a security in order to affect its closing price. With the stock trading on the OTC Bulletin Board, the last executed

transaction of the day would, under the rules then in effect, set the stock's closing price for the day, which would then be reported to the investing public as a matter of course.

19. In addition to artificially raising and supporting the company's stock price, the manipulators also created the false appearance of an active and liquid market for Weida common stock during the relevant period through various trades executed on the OTC Bulletin Board, including, but not limited to, the trades used to mark the closing price of Weida stock.

20. Meanwhile, the Promoters and their affiliated stock brokers were busy selling Weida common stock at approximately \$3 per share in private transactions.

21. Federal authorities arrested the Promoters, Giordano and Zumwalt, on Friday, April 22, 2005. Weida stock, which had been steadily declining from over \$5 per share in mid-February 2005, reached \$2.90 on April 22.

22. On Monday, April 25, 2005, the SEC suspended trading in Weida stock.

23. When trading resumed in Weida stock on May 10, 2005, the price dropped to \$1.05 per share. By the end of the year, the price had fallen to a mere 15 cents per share.

24. At all times relevant to this Complaint, Ferrer worked as Weida's legal counsel. In this role, Ferrer kept an office at Weida which he occupied two to three days per week on average during the relevant time period.

25. On September 10, 2004, at Zumwalt's request, Ferrer opened a brokerage account at GlobalVest under the name "L. Daniel Ferrer, Esq., a sole proprietorship."

26. In or about September of 2004, Ferrer opened a second GlobalVest account in his own name.

27. Ferrer and Zumwalt began trading through Ferrer's accounts in Weida stock in October 2004.

28. A composite of Ferrer's substantial trading activity in Weida appears below, delineated by month. Trades highlighted in bold signify purchases where a trade marked the closing price for Weida stock.

October 2004

| <u>Date</u> | <u>Buy/Sell</u> | <u>Quantity</u> | <u>Price</u> | <u>Net amount</u> |
|------------------|-----------------|-----------------|--------------|-------------------|
| 10/4/2004 | buy | 1,000 | 5.00 | \$5,095 |
| 10/4/2004 | buy | 500 | 5.30 | \$2,720 |
| 10/5/2004 | buy | 2,000 | 5.20 | \$10,520 |
| 10/6/2004 | buy | 1,500 | 5.20 | \$7,895 |

November 2004

| <u>Date</u> | <u>Buy/Sell</u> | <u>Quantity</u> | <u>Price</u> | <u>Net Amount</u> |
|-------------------|-----------------|-----------------|--------------|-------------------|
| 11/3/2004 | sale | 500 | 5.60 | \$(2,729) |
| 11/19/2004 | buy | 500 | 5.55 | \$2,845 |
| 11/29/2004 | buy | 1,000 | 5.27 | \$5,390 |
| 11/29/2004 | buy | 100 | 5.30 | \$570 |

February 2005

| <u>Date</u> | <u>Buy/Sell</u> | <u>Quantity</u> | <u>Price</u> | <u>Net Amount</u> |
|-------------|-----------------|-----------------|--------------|-------------------|
| 2/11/2005 | buy | 500 | 4.90 | \$2,520 |
| 2/11/2005 | buy | 500 | 4.90 | \$2,520 |

March 2005

| <u>Date</u> | <u>Buy/Sell</u> | <u>Quantity</u> | <u>Price</u> | <u>Net Amount</u> |
|-------------|-----------------|-----------------|--------------|-------------------|
| 3/3/2005 | buy | 1,000 | 4.60 | \$4,670 |
| 3/17/2005 | buy | 500 | 4.95 | \$2,520 |
| 3/17/2005 | buy | 1,000 | 4.63 | \$4,745 |
| 3/18/2005 | sell | 955 | 4.35 | \$(4,126) |

April 2005

| <u>Date</u> | <u>Buy/Sell</u> | <u>Quantity</u> | <u>Price</u> | <u>Net Amount</u> |
|-------------|-----------------|-----------------|--------------|-------------------|
| 4/7/2005 | buy | 200 | 3.50 | \$740 |
| 4/21/2005 | sell | 200 | 3.00 | \$(554) |

29. In most if not all instances, Zumwalt supplied Ferrer with money to fund the stock purchases, and Ferrer then issued a check to GlobalVest in the same or substantially the same amounts for the purchases.

30. On the occasions when Zumwalt placed the manipulative orders himself, as a precondition to execution of the trades, Ferrer was required to confirm — and did confirm — with the GlobalVest representatives the trades made through his accounts.

31. In each instance, the trades supported Weida stock prices at artificial levels, and created the false appearance of liquidity in the market for Weida stock.

32. The artificial prices, and the artificial appearance of liquidity in the market for Weida stock, were materially false and fraudulent.

33. In the course of the manipulation, Zumwalt disclosed to Ferrer his intent to support Weida's stock price.

34. When the SEC staff questioned Ferrer about his above-referenced trading in Weida stock, Ferrer, in an attempt to conceal his manipulative conduct, falsely testified under oath that he had effected all of the trades for his own interest or on behalf of two of his brothers.

35. Ferrer knew, or was reckless in not knowing, that his transactions and conduct with respect to Weida stock supported a materially false and fraudulent price for the stock, and created a materially false and fraudulent appearance of active trading in the stock.

36. **FIRST CLAIM FOR RELIEF**

**Violations of Section 10(b) and
Rule 10b-5 of the Exchange Act**

37. Plaintiff SEC hereby incorporates paragraphs 1 through 35 of this Complaint with the same force and effect as if set forth herein.

38. In the manner described in paragraphs 1 through 36, Defendant Ferrer, in connection with the purchase or sale of securities, by the use of means or

instrumentalities of interstate commerce or of the mails, directly or indirectly (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts or omissions of material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon persons, in violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

39. Defendant Ferrer will continue to violate those antifraud provisions of the Exchange Act unless enjoined.

SECOND CLAIM FOR RELIEF

Aiding and Abetting Violations of Section 10(b) and Rule 10b-5 of the Exchange Act

40. Plaintiff SEC hereby incorporates paragraphs 1 through 38 of this Complaint with the same force and effect as if set forth herein.

41. By engaging in the conduct described above in paragraphs 1 through 39, the Promoters and their associates violated Exchange Act Section 10(b) and Rule 10b-5 thereunder.

42. By engaging in the conduct described above, Defendant Ferrer knowingly and substantially aided and abetted the Promoters' violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder pursuant to Exchange Act Section 20(e) [15 U.S.C. § 78t(e)].

43. Defendant Ferrer will continue to violate the Exchange Act provisions set forth in paragraphs 40 and 41 unless enjoined.

PRAYER FOR RELIEF

WHEREFORE, the SEC respectfully requests that this Court enter a judgment:

- (a) permanently enjoining Defendant Ferrer, and his agents, servants, employees, attorneys, and those in active concert or participation with him, who receive actual notice by personal service or otherwise of any such order which the Court may enter, from violating Section 10(b) of the Exchange Act [15 U.S.C § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder;
 - (b) ordering Defendant Ferrer to pay a civil money penalty pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)];
 - (c) ordering Defendant Ferrer to disgorge all ill-gotten gains from the conduct alleged herein, with prejudgment interest;
 - (d) permanently prohibiting Defendant Ferrer from participating in any penny stock offering pursuant to Section 21(d)(6) of the Exchange Act [15 U.S.C. § 78u(d)(6)];
- and
- (e) granting such other relief as this Court deems just and proper.

Dated: July 31, 2009

Reid A. Muoio
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