

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

Securities Exchange Act of 1934
Release No. 60730 / September 29, 2009

In the Matter of the Application of	:	
	:	
Financial Industry Regulatory Authority, Inc.	:	
	:	
For an Order Granting the Approval of	:	ORDER APPROVING
	:	APPLICATION FOR
David M. Bonrouhi	:	RELIEF FROM A
	:	STATUTORY
As a	:	DISQUALIFICATION
	:	
General Securities Representative	:	
	:	
With	:	
	:	
Fallbrook Capital Securities Corporation	:	
	:	
Securities Exchange Act of 1934	:	
Section 15A(g)(2)	:	
	:	

The Financial Industry Regulatory Authority, Inc. (“FINRA”) has filed a notice (“Notice”) containing an application (“Application”) pursuant to Rule 19h-1 of the Securities Exchange Act of 1934 (“Exchange Act”) on behalf of Fallbrook Capital Securities Corporation (“Fallbrook” or “Firm”) seeking Commission consent for David M. Bonrouhi, a person subject to a statutory disqualification, to associate with Fallbrook, subject to the terms and conditions set forth in the Application. Mr. Bonrouhi is currently not employed in the securities industry.

I. Background

A. Basis for Statutory Disqualification

On February 15, 2001, the Commission issued an Order Instituting Public Administrative Proceeding Pursuant to Sections 15(b) and 19(h) of the Securities Exchange Act of 1934 (“Exchange Act”), Making Findings, and Imposing Remedial Sanctions (“Bar Order”) against Mr. Bonrouhi, barring him from associating with any broker or dealer, with the right to reapply after five years. See Exchange Act Release No. 43967 (February 15, 2001). The Bar Order found that Mr. Bonrouhi willfully violated Section 17(a) of the Securities Act of 1933 (“Securities Act”), Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. Generally, the Commission found that Mr. Bonrouhi, while associated with Merrill Lynch, Pierce, Fenner & Smith, Inc. (“Merrill Lynch”), a registered broker-dealer, as an associate in Merrill Lynch’s investment banking communications group, engaged in fraudulent conduct with respect to the quarterly financial performance and unfavorable developments in a prospective merger involving IWL Communications (“IWL”) by selling 600 shares of IWL stock for his personal account, despite having been warned at the meeting that the information was confidential and that he was prohibited from selling his IWL stock. By selling his IWL stock in advance of the announcement, Mr. Bonrouhi avoided losses of \$4,160. The Bar Order subjects Mr. Bonrouhi to a statutory disqualification under Section 3(a)(39)(B)(i)(II) of the Exchange Act.

B. Mr. Bonrouhi’s Industry Background

Mr. Bonrouhi first registered in the securities industry as a general securities representative (Series 7) in November 1994. He also qualified as a uniform securities agent state law (Series 63) in October 2007. He was employed by Merrill Lynch from August 1994 until July 1998. Merrill Lynch terminated Mr. Bonrouhi’s employment on July 15, 1998.

II. Proposed Business Activities and Supervision

In the Application, FINRA and Fallbrook represent that Fallbrook proposes to employ Mr. Bonrouhi as a registered representative focusing primarily on merger and acquisition activity in the Firm’s home office in West Hills, California.

FINRA and Fallbrook represent that Fallbrook proposes that Brandt Blanken, who is the president and owner of the Firm, will be Mr. Bonrouhi’s primary supervisor. Mr. Blanken will supervise Mr. Bonrouhi on-site at the Firm’s home office. Mr. Blanken first registered as an investment company products/variable contracts limited representative (Series 6) in May 1992. He qualified as a general securities principal (Series 24) in 1994. Mr. Blanken started Fallbrook in August 1999.

FINRA and Fallbrook represent that Fallbrook also proposes that when Mr. Blanken is not available, Josh Lederer will supervise Mr. Bonrouhi. Mr. Lederer qualified as a general securities representative in February 2005 and as a general securities principal in March 2007. Mr. Lederer has been employed by Fallbrook since June 2006.

In the Application, FINRA and Fallbrook also represent, among other things, that:

1. Fallbrook will amend its written supervisory procedures to state that Mr. Blanken is the primary supervisor responsible for Mr. Bonrouhi;
2. Mr. Bonrouhi will not act in a supervisory capacity;
3. Mr. Bonrouhi will not maintain any discretionary accounts;
4. Mr. Blanken will supervise Mr. Bonrouhi on-site;
5. Mr. Bonrouhi will provide Mr. Blanken with all account statements and brokerage account confirmations for any account in which Mr. Bonrouhi has a beneficial interest, any account owned by members of Mr. Bonrouhi's immediate family, and any account in which Mr. Bonrouhi has a more attenuated interest, but potential involvement (though Fallbrook represents that none exist at this time). Mr. Blanken will confirm that Mr. Bonrouhi is not an owner of securities from any company in which he had any dealings on behalf of Fallbrook. Mr. Blanken will review all brokerage account confirmations and statements of any securities accounts provided by Mr. Bonrouhi. To evidence his review, Mr. Blanken will initial and maintain copies of the statements and confirmation and segregate them for review during any regulatory examination;
6. Mr. Blanken will review and approve all of Mr. Bonrouhi's new account forms for complete information, suitability, and required documentation on a weekly basis, at a minimum. He will initial the new account forms, make copies, and segregate them for review during any regulatory examination;
7. Fallbrook anticipates that Mr. Bonrouhi will participate in approximately 20-25 proposal-based client meetings or telephone conversations annually, averaging out to around two per month. Mr. Blanken will attend at least 25% (but no more than two) of the in-person meetings and participate in at least 25% (but no more than two) of these phone calls per month. With regard to the calls, the client will be informed that Mr. Blanken is a participant on the call, as if it were the normal course of business. Mr. Blanken will record his findings from those meetings or calls in a log, which he will segregate for review during any regulatory examination;
8. Mr. Blanken will review all of Mr. Bonrouhi's client files on a monthly basis. He will indicate the findings of his review in a memo, which he will segregate for review during any regulatory examination;

9. Mr. Blanken or his designee will review all of Mr. Bonrouhi's correspondence, including proposals or agreements, upon receipt (if incoming) or before it is sent (if outgoing);
10. For the purposes of client communication, Mr. Bonrouhi will only be allowed to use an e-mail account that is held at the Firm, with all e-mails being filtered through the Firm's e-mail system. If Mr. Bonrouhi nevertheless receives a business-related e-mail message in another e-mail account outside the Firm, he will immediately deliver that message to the Firm's e-mail account. Mr. Bonrouhi will also inform the Firm of all outside e-mail accounts that he maintains, and will make those accounts subject to inspection at the Firm's request. Mr. Blanken will conduct a weekly review of all e-mail messages that are either sent to or received by Mr. Bonrouhi. Mr. Blanken will preserve the e-mail messages and segregate them for review during any regulatory audit;
11. Mr. Blanken will conduct monthly meetings with Mr. Bonrouhi to discuss the securities business of the Firm and to have Mr. Bonrouhi address any concerns or issues noted or discovered during Mr. Blanken's supervision of Mr. Bonrouhi. Mr. Blanken will indicate when such meetings have taken place, and maintain and keep a log segregated for review during any regulatory examination;
12. Mr. Blanken must certify quarterly (March 31, June 30, September 30, and December 31) to the Firm's compliance department that he and Mr. Bonrouhi are in compliance with all of the above conditions of heightened supervision to be accorded Mr. Bonrouhi;
13. All complaints pertaining to Mr. Bonrouhi, whether oral or written, will be immediately referred to Mr. Blanken for review and then to the Firm's compliance department. Mr. Blanken will prepare a memorandum to the file as to what measures he took to investigate the merits of the complaint (e.g., contact with the customer) and the resolution of the matter. Mr. Blanken will segregate documents pertaining to these complaints for review during any regulatory examination;
14. If Mr. Blanken is on vacation or out of the office, Mr. Lederer will act as Mr. Bonrouhi's interim supervisor; and
15. For the duration of Mr. Bonrouhi's statutory disqualification, Fallbrook must obtain prior approval from FINRA's Department of Member Regulation if it wishes to change Mr. Bonrouhi's responsible supervisor from Mr. Blanken to another person.

III. Relief Sought

In the Application, FINRA seeks an order declaring that, notwithstanding the statutory disqualification, the Commission:

1. Will not institute proceedings pursuant to Section 15(b) of the Exchange Act solely on the basis of Mr. Bonrouhi's association as a general

securities representative with Fallbrook pursuant to the representations contained in the Application; and

2. Will not direct FINRA to bar the proposed association, as provided in Section 15A(g)(2) of the Exchange Act.

IV. Conclusion

The Division of Trading and Markets, pursuant to delegated authority, has reviewed the instant Application and the record before FINRA. Relying on the representations made by FINRA and Fallbrook concerning the proposed association of Mr. Bonrouhi,¹ the Division of Trading and Markets has concluded that it is appropriate for the Commission to approve the Application for Mr. Bonrouhi to associate as a general securities representative subject to the conditions of this order.

Accordingly, IT IS ORDERED that said Application of FINRA on behalf of Fallbrook and Mr. Bonrouhi be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²

Elizabeth M. Murphy
Secretary

¹ All representations, terms, and conditions of employment not specifically listed are incorporated herein by reference. This Order is further conditioned on FINRA's Rule 19h-1 notice filing which includes Fallbrook's MC-400 Application to FINRA.

² 17 CFR 200.30-3(a)(4).