

BrokerCheck Report

STEPHEN MICHAEL KANN

CRD# 1641281

<u>Section Title</u>	<u>Page(s)</u>
Report Summary	1
Broker Qualifications	2 - 3
Registration and Employment History	5 - 7
Disclosure Events	8



When communicating online or investing with any professional, make sure you know who you're dealing with. [Imposters](#) might link to sites like BrokerCheck from [phishing](#) or similar scam websites, or through [social media](#), trying to steal your personal information or your money.

Please contact FINRA with any concerns.

About BrokerCheck®



BrokerCheck offers information on all current, and many former, registered securities brokers, and all current and former registered securities firms. FINRA strongly encourages investors to use BrokerCheck to check the background of securities brokers and brokerage firms before deciding to conduct, or continue to conduct, business with them.

- **What is included in a BrokerCheck report?**

- BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm's profile, history, and operations, as well as many of the same disclosure events mentioned above.
- Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

- **Where did this information come from?**

- The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:
 - information FINRA and/or the Securities and Exchange Commission (SEC) require brokers and brokerage firms to submit as part of the registration and licensing process, and
 - information that regulators report regarding disciplinary actions or allegations against firms or brokers.

- **How current is this information?**

- Generally, active brokerage firms and brokers are required to update their professional and disciplinary information in CRD within 30 days. Under most circumstances, information reported by brokerage firms, brokers and regulators is available in BrokerCheck the next business day.

- **What if I want to check the background of an investment adviser firm or investment adviser representative?**

- To check the background of an investment adviser firm or representative, you can search for the firm or individual in BrokerCheck. If your search is successful, click on the link provided to view the available licensing and registration information in the SEC's Investment Adviser Public Disclosure (IAPD) website at <https://www.adviserinfo.sec.gov>. In the alternative, you may search the IAPD website directly or contact your state securities regulator at <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/P455414>.

- **Are there other resources I can use to check the background of investment professionals?**

- FINRA recommends that you learn as much as possible about an investment professional before deciding to work with them. Your state securities regulator can help you research brokers and investment adviser representatives doing business in your state.

Thank you for using FINRA BrokerCheck.



Using this site/information means that you accept the FINRA BrokerCheck Terms and Conditions. A complete list of Terms and Conditions can be found at brokercheck.finra.org



For additional information about the contents of this report, please refer to the User Guidance or www.finra.org/brokercheck. It provides a glossary of terms and a list of frequently asked questions, as well as additional resources. For more information about FINRA, visit www.finra.org.



STEPHEN M. KANN

CRD# 1641281

Currently employed by and registered with the following Firm(s):

- B

ARCSTONE SECURITIES LLC

885 THIRD AVENUE

21ST FLOOR

NEW YORK, NY 11232

CRD# 306029

Registered with this firm since: 04/01/2025

Report Summary for this Broker

This report summary provides an overview of the broker's professional background and conduct. Additional information can be found in the detailed report.

Broker Qualifications

This broker is registered with:

- 1 Self-Regulatory Organization
- 2 U.S. states and territories

This broker has passed:

- 1 Principal/Supervisory Exam
- 4 General Industry/Product Exams
- 1 State Securities Law Exam

Registration History

This broker was previously registered with the following securities firm(s):

- B

DOMINARI SECURITIES LLC

CRD# 18975

NEW YORK, NY

04/2024 - 11/2024
- B

FINALIS SECURITIES LLC

CRD# 305908

NEW YORK, NY

10/2022 - 02/2023
- B

HP SECURITIES, INC.

CRD# 31538

MIAMI, FL

08/2021 - 09/2022

Disclosure Events

All individuals registered to sell securities or provide investment advice are required to disclose customer complaints and arbitrations, regulatory actions, employment terminations, bankruptcy filings, and criminal or civil judicial proceedings.

Are there events disclosed about this broker? Yes

The following types of disclosures have been reported:

Type	Count
Regulatory Event	3
Customer Dispute	2



Broker Qualifications

Registrations

This section provides the self-regulatory organizations (SROs) and U.S. states/territories the broker is currently registered and licensed with, the category of each license, and the date on which it became effective. This section also provides, for every brokerage firm with which the broker is currently employed, the address of each branch where the broker works.

This individual is currently registered with 1 SRO and is licensed in 2 U.S. states and territories through his or her employer.

Employment 1 of 1

Firm Name: **ARCSTONE SECURITIES LLC**

Main Office Address: **885 THIRD AVENUE
21ST FLOOR
NEW YORK, NY 11232**

Firm CRD#: **306029**

SRO	Category	Status	Date
B FINRA	Investment Banking Principal	Approved	04/01/2025
B FINRA	Investment Banking Representative	Approved	04/01/2025
B FINRA	Corporate Securities Represent	Approved	08/05/2025

U.S. State/ Territory	Category	Status	Date
B California	Agent	Approved	06/04/2025
B South Carolina	Agent	Approved	07/08/2025

Branch Office Locations

ARCSTONE SECURITIES LLC
885 THIRD AVENUE
21ST FLOOR
NEW YORK, NY 11232



Broker Qualifications

Industry Exams this Broker has Passed

This section includes all securities industry exams that the broker has passed. Under limited circumstances, a broker may attain a registration after receiving an exam waiver based on exams the broker has passed and/or qualifying work experience. Any exam waivers that the broker has received are not included below. A passed exam or exam waiver does not permit a broker to do business without an active SRO or state registration.

This individual has passed 1 principal/supervisory exam, 4 general industry/product exams, and 1 state securities law exam.

Principal/Supervisory Exams

Exam	Category	Date
B General Securities Principal Examination	Series 24	01/02/2023

General Industry/Product Exams

Exam	Category	Date
B Investment Banking Registered Representative Examination	Series 79TO	12/11/2018
B Securities Industry Essentials Examination	SIE	02/01/2017
B Corporate Securities Limited Representative Examination	Series 62	08/06/2001
B General Securities Representative Examination	Series 7	03/21/1987

State Securities Law Exams

Exam	Category	Date
B Uniform Securities Agent State Law Examination	Series 63	08/13/2001

Additional information about the above exams or other exams FINRA administers to brokers and other securities professionals can be found at www.finra.org/brokerqualifications/registeredrep/.

Broker Qualifications



Professional Designations

This section details that the representative has reported **0** professional designation(s).

No information reported.



Registration and Employment History

Registration History

The broker previously was registered with the following firms:

Registration Dates	Firm Name	CRD#	Branch Location
B 04/2024 - 11/2024	DOMINARI SECURITIES LLC	18975	NEW YORK, NY
B 10/2022 - 02/2023	FINALIS SECURITIES LLC	305908	NEW YORK, NY
B 08/2021 - 09/2022	HP SECURITIES, INC.	31538	MIAMI, FL
B 11/2018 - 12/2020	PAULSON INVESTMENT COMPANY LLC	5670	NEW YORK, NY
B 08/2016 - 02/2017	FBV CAPITAL ADVISORS, INC.	151120	NEW YORK, NY
B 08/2014 - 12/2014	MONARCH BAY SECURITIES, LLC	141391	IRVINE, CA
B 07/2013 - 07/2014	FINANCE 500, INC.	12981	IRVINE, CA
B 07/2011 - 10/2011	ASCENDIANT SECURITIES, LLC	129236	IRVINE, CA
B 12/2008 - 07/2009	LONGVIEW FINANCIAL GROUP, INC	38286	NEW YORK, NY
B 01/2008 - 12/2008	NEWBRIDGE SECURITIES CORPORATION	104065	BOCA RATON, FL
B 12/2003 - 02/2008	US EURO SECURITIES, INC	38839	PERDIDO KEY, FL
B 08/2001 - 09/2003	MARINO CAPITAL PARTNERS	104390	NEW YORK, NY
B 05/2003 - 09/2003	SOURCE CAPITAL GROUP, INC.	36719	WESTPORT, CT
B 04/1992 - 03/1993	U.S. SECURITIES CORPORATION OF WASHINGTON, DC	25231	
B 08/1990 - 07/1991	SECURITIES AMERICA, INC.	10205	LAVISTA, NE
B 03/1987 - 08/1990	THOMAS JAMES ASSOCIATES, INC.	15609	ROCHESTER, NY

Employment History



Registration and Employment History

Employment History, continued

This section provides up to 10 years of an individual broker's employment history as reported by the individual broker on the most recently filed Form U4.

Please note that the broker is required to provide this information only while registered with FINRA or a national securities exchange and the information is not updated via Form U4 after the broker ceases to be registered. Therefore, an employment end date of "Present" may not reflect the broker's current employment status.

Employment	Employer Name	Position	Investment Related	Employer Location
03/2025 - Present	ARCSTONE SECURITIES LLC	Registered Representative	Y	NEW YORK, NY, United States
11/2021 - Present	Ocean Street Partners, Inc.	Partner	N	Newport Beach, CA, United States
12/2020 - Present	Bridgewater Capital Corporation	Partner	N	Tustin, CA, United States
04/2024 - 10/2024	DOMINARI SECURITIES LLC	REGISTERED REPRESENTATIVE	Y	Myrtle Beach, SC, United States
09/2022 - 02/2023	Finalis Securities LLC	Registered Representative	Y	New York, NY, United States
08/2021 - 09/2022	HP Securities, Inc.	Registered Representative	Y	Portland, OR, United States
10/2018 - 12/2020	Paulson Investment Company, LLC	Managing Director	Y	Fairfax, VA, United States
03/2017 - 08/2018	MoneyOnMobile, Inc.	VP, Corporate Development	N	Dallas, TX, United States
09/2016 - 03/2017	FBV Capital Advisors, Inc.	Managing Director	Y	Fairfax, VA, United States
09/2014 - 07/2016	RE/MAX LLC	Business Development Consultant	N	Denver, CO, United States

Other Business Activities

This section includes information, if any, as provided by the broker regarding other business activities the broker is currently engaged in either as a proprietor, partner, officer, director, employee, trustee, agent or otherwise. This section does not include non-investment related activity that is exclusively charitable, civic, religious or fraternal and is recognized as tax exempt.

- (1) Leonhardt Launchpads, Non-Investment Related, 12655 W Jefferson Blvd., Los Angeles, CA, 90066, Biotech incubator/startup, Advisor, 01/01/2015, 1, General business advisor.
- (2) Bridgewater Capital Corporation, Non-Investment Related, 13217 Jamboree Road, Suite 525, Tustin, CA, 92782, Business advisory/consulting, Partner, 10/01/2020, 100, Business development, advisory.
- (3) Ocean Street Partners, Inc., Non-Investment Related, 1048 Irvine Ave., Suite 1004, Newport Beach, CA, 92660, Private Securities Transactions, Business Advisory/Consulting, Vice President, 10/01/2021, 100, Business development, advisory.
- (4) Microcap Magic Book, investment-related, United States, My book, Microcap Magic: Why the biggest returns are in the stocks you've never

Registration and Employment History



Other Business Activities, continued

heard of, was published in 2015 and became an Amazon #1 best seller, Author, 07/17/2015, 0, None.

(5) T 12-ai, General business advisory startup, 6019 Bolsena Pl Myrtle Beach SC 29577, Compensation 7953 options to purchase vesting 1/24 per month for 24 months. Start date 1/18/24, .5 hrs per month and .5 during market hours

(6) Questor Realty, Inc. Not Investment Related. 5429 Blacklick Rd Springfield, VA 22151. Real Estate Brokerage. Position: Licensed Real Estate Salesperson. Start Date: 4/2024. Less than one hour per year. Duties: Occasionally referring real estate transactions (approximately a few per year) to an external brokerage, resulting in referral commissions paid directly to Questor

7) MarketSmasher, Inc. d/b/a Krato.ai - Not Investment Related. 10392 Twin Leaf Drive Bristow 20136. Marketing Technology Company. Board Member and interim CEO

and Investor. Start Date: November 2022. Ten hours per week. Duties: attend board calls, review major agreements, provide strategic direction and advice

Disclosure Events



What you should know about reported disclosure events:

1. All individuals registered to sell securities or provide investment advice are required to disclose customer complaints and arbitrations, regulatory actions, employment terminations, bankruptcy filings, and criminal or civil judicial proceedings.
2. **Certain thresholds must be met before an event is reported to CRD, for example:**
 - A law enforcement agency must file formal charges before a broker is required to disclose a particular criminal event.
 - A customer dispute must involve allegations that a broker engaged in activity that violates certain rules or conduct governing the industry and that the activity resulted in damages of at least \$5,000.
 -
3. **Disclosure events in BrokerCheck reports come from different sources:**
 - As mentioned at the beginning of this report, information contained in BrokerCheck comes from brokers, brokerage firms and regulators. When more than one of these sources reports information for the same disclosure event, all versions of the event will appear in the BrokerCheck report. The different versions will be separated by a solid line with the reporting source labeled.
 -
4. **There are different statuses and dispositions for disclosure events:**
 - A disclosure event may have a status of *pending*, *on appeal*, or *final*.
 - A "pending" event involves allegations that have not been proven or formally adjudicated.
 - An event that is "on appeal" involves allegations that have been adjudicated but are currently being appealed.
 - A "final" event has been concluded and its resolution is not subject to change.
 - A final event generally has a disposition of *adjudicated*, *settled* or *otherwise resolved*.
 - An "adjudicated" matter includes a disposition by (1) a court of law in a criminal or civil matter, or (2) an administrative panel in an action brought by a regulator that is contested by the party charged with some alleged wrongdoing.
 - A "settled" matter generally involves an agreement by the parties to resolve the matter. Please note that brokers and brokerage firms may choose to settle customer disputes or regulatory matters for business or other reasons.
 - A "resolved" matter usually involves no payment to the customer and no finding of wrongdoing on the part of the individual broker. Such matters generally involve customer disputes.

For your convenience, below is a matrix of the number and status of disclosure events involving this broker. Further information regarding these events can be found in the subsequent pages of this report. You also may wish to contact the broker to obtain further information regarding these events.

	Pending	Final	On Appeal
Regulatory Event	0	3	0
Customer Dispute	0	2	N/A



Disclosure Event Details

When evaluating this information, please keep in mind that a disclosure event may be pending or involve allegations that are contested and have not been resolved or proven. The matter may, in the end, be withdrawn, dismissed, resolved in favor of the broker, or concluded through a negotiated settlement for certain business reasons (e.g., to maintain customer relationships or to limit the litigation costs associated with disputing the allegations) with no admission or finding of wrongdoing.

This report provides the information exactly as it was reported to CRD and therefore some of the specific data fields contained in the report may be blank if the information was not provided to CRD.

Regulatory - Final

This type of disclosure event may involve (1) a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulatory such as the Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations; or (2) a revocation or suspension of a broker's authority to act as an attorney, accountant, or federal contractor.

Disclosure 1 of 3

Reporting Source:	Regulator
Regulatory Action Initiated By:	NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Sanction(s) Sought:	Revocation
Other Sanction(s) Sought:	
Date Initiated:	10/28/1994
Docket/Case Number:	C9B930001
Employing firm when activity occurred which led to the regulatory action:	
Product Type:	No Product
Other Product Type(s):	
Allegations:	FAILED TO PAY FINES AND/OR COSTS IN NASD CASE #C9B930001
Current Status:	Final
Resolution:	Other
Resolution Date:	10/28/1994
Sanctions Ordered:	Revocation/Expulsion/Denial

**Other Sanctions Ordered:****Sanction Details:**

NASD REGISTRATION REVOKED ON 10/28/94*****
 FOR NON-PAYMENT OF FINES AND/OR COSTS*****
 IN NASD CASE #C9B930001.*****

REVOCATION RESCINDED ON 09/06/96*****
 FINE OF \$5,000.00 PAID ON 09/06/96*****
 COSTS OF \$587.00 PAID J&S *****

Reporting Source:

Broker

Regulatory Action Initiated By:

NATIONAL ASSOCIATION OF SECURITIES DEALERS

Sanction(s) Sought:

Revocation

Other Sanction(s) Sought:**Date Initiated:**

10/28/1994

Docket/Case Number:**Employing firm when activity occurred which led to the regulatory action:****Product Type:**

No Product

Other Product Type(s):**Allegations:**

NASD REVOKED REGISTRATION FOR NON-PAYMENT OF FINES AND COSTS
 RELATED TO NASD COMPLAINT #C9B930001. REVOCATION RESCINDD ON
 9/06/1996.

Current Status:

Final

Resolution:

Other

Resolution Date:

09/06/1996

Sanctions Ordered:

Revocation/Expulsion/Denial

Other Sanctions Ordered:

REVOCATION, LATER RESCINDED.

Sanction Details:

NASD REVOKED REGISTRATION FOR NON-PAYMENT OF FINES AND COSTS
 RELATED TO NASD COMPLAINT #C9B930001. REVOCATION RESCINDED
 ON 9/06/1996.

**Broker Statement**

NASD REVOKED REGISTRATION FOR NON-PAYMENT OF FINES AND COSTS RELATED TO NASD COMPLAINT #C9B930001. REVOCATION RESCINDED ON 9/06/1996.

Disclosure 2 of 3**Reporting Source:**

Regulator

Regulatory Action Initiated By:

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Sanction(s) Sought:**Other Sanction(s) Sought:****Date Initiated:**

02/12/1993

Docket/Case Number:

C9B930001

Employing firm when activity occurred which led to the regulatory action:**Product Type:**

Other

Other Product Type(s):

UNKNOWN TYPE OF SECURITIES

Allegations:

COMPLAINT NO. C9B930001 (DISTRICT NO. 9) FILED FEBRUARY 12, 1993 AGAINST STEPHEN M. KANN ALLEGING VIOLATIONS OF ARTICLE III, SECTIONS 1 AND 40 OF THE RULES OF FAIR PRACTICE IN THAT KANN PARTICIPATED IN PRIVATE SECURITIES TRANSACTIONS AND FAILED TO PROVIDE HIS MEMBER FIRM WITH PRIOR WRITTEN NOTICE OF SUCH ACTIVITIES.

Current Status:

Final

Resolution:

Decision

Resolution Date:

01/17/1994

Sanctions Ordered:

Censure
Monetary/Fine \$5,000.00

Other Sanctions Ordered:

REQUALIFICATION; COSTS OF \$587.00, J&S

Sanction Details:

08-02-01, FEBRUARY 14, 1994 - THE NBCC HAS REVIEWED THE ABOVE-CAPTIONED MATTER AND HAS DETERMINED TO APPROVE THE DBCC'S REQUEST FOR RECONSIDERATION OF ITS CALL FOR REVIEW. THE MATTER AS DECIDED BY THE DBCC WILL THUS BE FINAL AND WILL NOT BE SUBJECT TO FURTHER REVIEW BY THE NBCC.



THE DECISION IS FINAL JANUARY 17, 1994.

FINE OF \$5,000.00 PAID ON 09/06/96. COSTS OF \$587.00 PAID J&S

Regulator Statement

DECISION RENDERED DECEMBER 2, 1993 WHEREIN
KANN IS CENSURED, FINED \$5,000 AND REQUIRED TO REQUALIFY BY
EXAMINATION BEFORE AGAIN BECOMING REGISTERED WITH THE NASD IN
ANY CAPACITY. IN ADDITION, KANN IS ASSESSED COSTS OF \$587.00,
JOINTLY AND SEVERALLY. IF NO FURTHER ACTION, DECISION IS FINAL
JANUARY 17, 1994.

DECEMBER 20, 1993 - CALLED FOR REVIEW BY THE NBCC.

Reporting Source:	Broker
Regulatory Action Initiated By:	NATIONAL ASSOCIATION OF SECURITIES DEALERS
Sanction(s) Sought:	Censure
Other Sanction(s) Sought:	FINE OF \$5,000 AND REQUIREMENT TO REQUALIFY BY EXAMINATION BEFORE AGAIN BECOMING REGISTERED WITH THE NASD IN ANY CAPACITY. ALSO ASSESSED COSTS OF \$587.
Date Initiated:	02/12/1993
Docket/Case Number:	C9B930001
Employing firm when activity occurred which led to the regulatory action:	THOMAS JAMES
Product Type:	No Product
Other Product Type(s):	
Allegations:	VIOLATIONS OF NASD RULES OF FAIR PRACTICE, ARTICLE III, SECTIONS 1 AND 40, PARTICIPATING IN PRIVATE SECURITIES TRANSACTIONS WITHOUT PROVIDING MEMBER FIRM PRIOR WRITTEN NOTIFICATION.
Current Status:	Final
Resolution:	Decision
Resolution Date:	12/02/1993
Sanctions Ordered:	Censure



Monetary/Fine \$5,000.00

Other Sanctions Ordered:

REQUIRED TO REQUALIFY BY EXAMINATION PRIOR TO ASSOCIATION WITH ANY NASD MEMBER. ALSO ASSESSED COSTS OF \$587.00

Sanction Details:

REQUIRED TO REQUALIFY BY EXAMINATION PRIOR TO ASSOCIATION WITH ANY NASD MEMBER. NO TIME PERIOD WAS IMPOSED, NO EXAMINATION WAS SPECIFIED.

Disclosure 3 of 3

Reporting Source:

Regulator

Regulatory Action Initiated By:

MARYLAND DIVISION OF SECURITIES

Sanction(s) Sought:

Other

Other Sanction(s) Sought:

Date Initiated:

08/28/1992

Docket/Case Number:

S-91-072

Employing firm when activity occurred which led to the regulatory action:

Product Type:

Other

Other Product Type(s):

UNKNOWN TYPE OF SECURITIES

Allegations:

RESPONDENT WAS INVOLVED IN THE OFFER AND SALE OF GEM PARTNERSHIP INTERESTS TO MARYLAND RESIDENTS. THESE SECURITIES WERE NEITHER REGISTERED NOR EXEMPTED FROM REGISTRATION IN MARYLAND.

Current Status:

Final

Resolution:

Consent

Resolution Date:

08/28/1992

Sanctions Ordered:

Other Sanctions Ordered:

RESPONDENT ENTERED INTO A CONSENT ORDER WITH THE DIVISION, AGREEING NOT TO ENGAGE IN THE SALE OF UNREGISTERED SECURITIES IN MARYLAND.

Sanction Details:

N/A



Reporting Source:	Broker
Regulatory Action Initiated By:	STATE OF MARYLAND, DIVISION OF SECURITIES
Sanction(s) Sought:	Other
Other Sanction(s) Sought:	RESPONDENT ENTERED INTO A CONSENT ORDER WITH THE DIVISION AGREEING NOT TO ENGAGE IN THE SALE OF UNREGISTERED SECURITIES IN MARYLAND.
Date Initiated:	08/28/1992
Docket/Case Number:	S-91-072
Employing firm when activity occurred which led to the regulatory action:	
Product Type:	Other
Other Product Type(s):	PRECIOUS GEMS PARTNERSHIP INTERESTS
Allegations:	SALE OF UNREGISTERED PARTNERSHIP INTERESTS TO RESIDENTS OF MARYLAND
Current Status:	Final
Resolution:	Consent
Resolution Date:	08/28/1992
Sanctions Ordered:	
Other Sanctions Ordered:	RESPONDENT ENTERED INTO A CONSENT ORDER AGREEING NOT TO ENGAGE IN THE SALE OF UNREGISTERED SECURITIES IN MARYLAND.
Sanction Details:	RESPONDENT ENTERED INTO A CONSENT ORDER AGREEING NOT TO ENGAGE IN THE SALE OF UNREGISTERED SECURITIES IN MARYLAND.
Broker Statement	ACCORDING TO THE MARYLAND STATE ATTORNEY GENERAL, THE COMPLAINING CUSTOMER WROTE A LETTER ASKING TO DROP THE CASE, ADMITTING TO HAVING BEEN TOO HARSH IN HIS ORIGINAL COMPLAINT.



Customer Dispute - Settled

This type of disclosure event involves a consumer-initiated, investment-related complaint, arbitration proceeding or civil suit containing allegations of sale practice violations against the broker that resulted in a monetary settlement to the customer.

Disclosure 1 of 2

Reporting Source: Broker

Employing firm when activities occurred which led to the complaint:

Allegations: CUSTOMER ALLEGED SALE OF UNREGISTERED SECURITIES, FRAUD, RICO, CLAIMING DAMAGES OF \$300,000. CLAIM WAS FILED AGAINST MULTIPLE RESPONDENTS, INCLUDING PRESIDENT OF ISSUER. CUSTOMER INVESTED \$200,000 IN A PRIVATE PLACEMENT OF EQUITIES IN WHICH MR. KANN HAD PUT \$50,000 OF HIS OWN MONEY. MR. KANN AND OTHER DEFENDANTS SETTLED WITH CUSTOMER PRIOR TO LITIGATION. PRESIDENT/CEO OF ISSUER WAS CONVICTED OF FRAUD AND CUSTOMER WAS AWARDED OVER \$900,000 IN PUNITIVE AND COMPENSATORY DAMAGES.

Product Type: Other

Other Product Type(s): PRIVATE PLACEMENT OF EQUITY SECURITIES

Alleged Damages: \$300,000.00

Customer Complaint Information

Date Complaint Received: 11/01/1995

Complaint Pending? No

Status: Litigation

Status Date: 11/01/1996

Settlement Amount:

Individual Contribution Amount:

Civil Litigation Information

Court Details: U.S. DISTRICT COURT, EASTERN DISTRICT OF VIRGINIA, ALEXANDRIA, VIRGINIA, DOCKET #95-1612-A

Date Notice/Process Served: 11/01/1995

Litigation Pending? No

Disposition: Settled



Disposition Date: 11/01/1996

Monetary Compensation Amount: \$30,000.00

Individual Contribution Amount: \$30,000.00

Broker Statement

SUIT WAS FILED AGAINST MULTIPLE DEFENDANTS, INCLUDING PRESIDENT/CEO OF ISSUER, VARIOUS OTHER INDIVIDUALS AND MR. KANN. CUSTOMER INVESTED \$200,000 IN A PRIVATE PLACEMENT OF EQUITIES IN WHICH MR. KANN HAD PUT \$50,000 OF HIS OWN MONEY. MR. KANN SETTLED WITH CUSTOMER PRIOR TO LITIGATION AND THEREFORE DOES NOT KNOW THE DATE THE CIVIL CASE WAS FINAL. VARIOUS OTHER DEFENDANTS ALSO SETTLED PRIOR TO LITIGATION AND MR. KANN IS NOT AWARE OF THE AMOUNT OF THEIR SETTLEMENTS. THE CASE AGAINST THE PRESIDENT/CEO OF THE ISSUER DID PROCEED AND THE PRESIDENT/CEO WAS ORDERED TO PAY CUSTOMER \$900,000 IN PUNITIVE AND COMPENSATORY DAMAGES.

Disclosure 2 of 2

Reporting Source: Broker

Employing firm when activities occurred which led to the complaint:

Allegations: CUSTOMER ALLEGED SALE OF UNREGISTERED SECURITIES BY MISREPRESENTATION AND OTHER FRAUDULENT MEANS, RESULTING IN A \$15,000 LOSS BY CUSTOMER. CUSTOMER FILED SUIT (CAL 90-26547) AGAINST MR. KANN AND ANOTHER INDIVIDUAL. BOTH MR. KANN AND THE OTHER INDIVIDUAL SETTLED WITH THE CUSTOMER PRIOR TO LITIGATION.

Product Type: Other

Other Product Type(s): PRECIOUS GEMS PARTNERSHIP INTERESTS

Alleged Damages: \$15,000.00

Customer Complaint Information

Date Complaint Received: 12/01/1990

Complaint Pending? No

Status: Litigation

Status Date: 06/15/1992

**Settlement Amount:****Individual Contribution
Amount:****Civil Litigation Information**

Court Details: CUSTOMER FILED SUIT CAL 90-26547, CIRCUIT COURT FOR PRINCE GEORGE'S COUNTY, MARYLAND, UPPER MARLBORO, MARYLAND, AGAINST MR. KANN AND ANOTHER INDIVIDUAL. BOTH MR. KANN AND THE OTHER INDIVIDUAL SETTLED WITH THE CUSTOMER PRIOR TO LITIGATION.

Date Notice/Process Served: 12/01/1990

Litigation Pending? No

Disposition: Settled

Disposition Date: 06/15/1992

**Monetary Compensation
Amount:** \$15,000.00

**Individual Contribution
Amount:** \$7,500.00

Broker Statement MR. KANN HAD INVESTED \$5,000 IN THIS PARTNERSHIP AND SUBSEQUENTLY LOST THE ENTIRE INVESTMENT. ACCORDING TO THE MARYLAND STATE ATTORNEY GENERAL, THE COMPLAINING CUSTOMER WROTE A LETTER ASKING TO DROP THE CASE, ADMITTING TO HAVING BEEN TOO HARSH IN HIS ORIGINAL COMPLAINT.

End of Report



This page is intentionally left blank.