

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

Securities Act of 1933
Release No. 8614 / September 21, 2005

Securities Exchange Act of 1934
Release No. 52480 / September 21, 2005

Administrative Proceeding
File Number 3-10230

In the Matter of	:	ORDER MAKING FINDINGS,
	:	IMPOSING REMEDIAL SANCTIONS,
Allen Z. Wolfson,	:	AND IMPOSING A CEASE-AND-DESIST
Michael T. Grecco,	:	ORDER PURSUANT TO SECTION 8A
John M. Black, Jr.,	:	OF THE SECURITIES ACT OF 1933 AND
Spiro Lazaretos,	:	SECTIONS 15(b)(6) AND 21C OF THE
Robert Balsamo,	:	SECURITIES EXCHANGE ACT OF 1934 AS TO
Vladimir Carvallo, and	:	ALLEN Z. WOLFSON
Konstantinos Dino Sonitis	:	
	:	
Respondents.	:	
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I.

On June 14, 2000, the Securities and Exchange Commission (“Commission”) entered an Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), and Sections 15(b)(6) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Respondent Allen Z. Wolfson (“Wolfson”).

II.

Wolfson has submitted an Offer of Settlement (“Offer”) to these administrative proceedings, 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, and paragraph III.D, which are admitted, Wolfson consents to the entry of this Order Making Findings, Imposing Remedial Sanctions, and Imposing a Cease-and-Desist Order Pursuant to Section 8A of the Securities Act of 1933 and Sections 15(b)(6) and 21C of the Securities Exchange Act of 1934 ("Order"), as set forth below.

III.

On the basis of this Order and Wolfson's Offer, the Commission finds that:

- A. Wolfson operated as an undisclosed stock promoter of microcap securities. Wolfson, age 59, is currently incarcerated in the Metropolitan Detention Center in Brooklyn, New York.
- B. Wolfson participated in the public offerings of ATR Industries, Inc. ("ATR"), Learner's World, Inc. ("Learners"), Rollerball International, Inc. ("Rollerball"), Healthwatch, Inc. ("Healthwatch"), and Hytk Industries, Inc. ("Hytk") stock, which at all relevant times were penny stocks.
- C. From early 1999 through July 2000, Wolfson manipulated the stock of ATR, Learners, Rollerball, Healthwatch, and Hytk. Through a series of front companies Wolfson controlled, Wolfson obtained free-trading ATR, Learners, Rollerball, Healthwatch, and Hytk stock at little or no cost. Wolfson then arranged for the payment of bribes to brokers to induce those brokers to cause their retail customers to purchase ATR, Learners, Rollerball, Healthwatch, and Hytk stock without disclosing the bribe payments to their retail customers. Wolfson then sold ATR, Learners, Rollerball, Healthwatch, and Hytk stock at the inflated price created by the brokers Wolfson had bribed.
- D. On March 26, 2003, following a jury trial, Wolfson was found guilty of one count of conspiracy to commit securities fraud, wire fraud and commercial bribery concerning ATR, Learners, Rollerball, Healthwatch, Hytk, and Power Exploration, Inc. ("Power Exploration") stock, five counts of securities fraud concerning ATR, Learners, Rollerball, Hytk, and, Power Exploration stock, and two counts of wire fraud concerning Learners and Hytk stock in U.S. v. Wolfson, 00 Cr. 628.¹ To date, Wolfson has served 27 months in prison while awaiting sentencing.
- E. Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] prohibits the use of "any manipulative or deceptive device or contrivance," and Section 17(a)(1) of the

¹ The Order Instituting Proceedings and Notice of Hearing Pursuant to Section 8A of the Securities Act of 1933 and Sections 15(b)(6) and 21C of the Securities Exchange Act of 1934 dated June 14, 2000 did not charge Wolfson with the manipulation of Power Exploration. It is referred to herein only to fully disclose the nature of Wolfson's criminal conviction.

Securities Act [15 U.S.C. § 77q(a)] and Rule 10b-5 under the Exchange Act [17 C.F.R. § 240.10b-5] prohibit the use of “any device, scheme, or artifice to defraud.” One of the “basic aim[s] of the anti-fraud provisions [of the federal securities laws] is to ‘prevent rigging of the market and to permit operation of the natural law of supply and demand.’” SEC v. First Jersey Secs., Inc., 101 F.3d 1450, 1466 (2d Cir. 1996) (quoting United States v. Stein, 456 F.2d 844, 850 (2d Cir. 1972)). “This prohibition with respect to manipulative activity is not confined to any particular type of manipulation, but . . . is necessarily designed to outlaw every device ‘used to persuade the public that activity in a security is the reflection of a genuine demand instead of a mirage.’” SEC v. Resch-Cassin & Co., Inc., 362 F. Supp. 964, 975 (S.D.N.Y. 1973) (citation omitted).

- F. Payment of undisclosed compensation to brokers or other securities professionals to tout stocks to others for the purpose of manipulating the public market for those stocks violates the anti-fraud provisions of the federal securities laws. See, e.g., United States v. Blitz, 533 F.2d 1329, 1338 (2d Cir. 1976) (undisclosed fees to brokers for selling stock promoted by payor violates the securities laws); United States v. Koss, 506 F.2d 1103, 1109 (2d Cir. 1974) (undisclosed kickback arrangement between representatives of group seeking to unload shares of manipulated stock and individual touting the stock violates Section 10(b) of the Exchange Act); United States v. Hayutin, 398 F.2d 944, 948-49 (2d Cir. 1968) (arranging for payment of undisclosed kickbacks to brokers held to constitute participation in market manipulation scheme); United States v. Cannistraro, 734 F. Supp. 1110, 1125 (D.N.J. 1990) (paying mutual fund managers to cause mutual funds to purchase stock promoted by payor “aptly characterize[d] as a bribery scheme” that “worked a fraud on shareholders of the Funds in violation of Rule 10b-5”).
- G. As a result of the conduct above, Wolfson willfully violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Wolfson’s Offer.

Accordingly, it is hereby ORDERED that:

1. Pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, Wolfson shall cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.
2. Pursuant to Section 15(b)(6) of the Exchange Act, Wolfson be, and hereby is, barred from association with any broker or dealer.

Any reapplication for association by Wolfson will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against Wolfson, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

3. Wolfson be, and hereby is, barred from participating in any offering of penny stock, including: acting as a promoter, finder, consultant, agent, or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

By the Commission.

Jonathan G. Katz
Secretary