

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

IN THE MATTER OF: RICHARD A. RAPPAPORT

FILE NO. 0400527

**CONSENT ORDER OF DISMISSAL**

**TO THE RESPONDENT:**

Richard A. Rappaport  
(CRD #: 1885122)  
11831 Folkstone Lane  
Los Angeles, CA 90077

Richard A. Rappaport  
C/o West Park Capital, Inc.  
1900 Avenue of the Stars  
Los Angeles, CA 90067

Richard A. Rappaport  
C/o Carl Schoeppl, Esq.  
4631 N. Federal Highway  
Boca Raton, FL 34331

WHEREAS, Respondent on the 9<sup>th</sup> day of April 2007 executed a certain Stipulation to Enter Consent Order of Dismissal (the "Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, Respondent has admitted to the jurisdiction of the Secretary of State and service of the Notice of Hearing of the Secretary of State, Securities Department, dated August 2, 2006 in this proceeding (the "Notice") and Respondent has consented to the entry of this Consent Order of Dismissal ("Consent Order").

WHEREAS, by means of the Stipulation, the Respondent acknowledged, without admitting or denying the truth thereof, that the following allegations contained in the Notice of Hearing shall be adopted as the Secretary of State's Findings of Fact:

1. That at all relevant times Respondent was registered with the Secretary of State as a Registered Salesperson and Investment Adviser Representative in the State of Illinois.

**Background**

2. That Respondent was at all times relevant to NASD'S Disciplinary Proceeding, the CEO, President and Chief Compliance Officer of WestPark Capital Corporation ("WestPark").

The grounds for such proposed action are as follows:

**Respondent**

3. That on June 18, 2004, Respondent submitted an Offer of Settlement to NASD in response to the Department of Enforcement of NASD filing a Disciplinary Proceeding on November 21, 2004. The Department of Enforcement of NASD and the National Adjudicatory Council Review Subcommittee or the Office of Disciplinary Affairs accepted Respondent's offer which imposed the following sanctions:
  - a. A fine of \$50,000; and
  - b. A suspension as a Series 24 for a period of thirty (30) days; and Requalification as a Series 24.

The decision found that:

- (1) Between July 2001 and October 2002, WestPark issued six research reports: USAOneStar.Nei, Inc. (USAS); Nam Tai Electronics, Inc. (NTAI #1); RTTN Holdings, Inc (RTIN); Earful of Books, Inc. (EARZ); FullCircle Registry, Inc. (FLCR); and Nam Tai Electronics, Inc. - Update (NTAI #2).
- (2) Respondent worked on all of the research reports, had final editorial control over their contents, and was the designated principal responsible for final editorial review and approval of the firm's research reports.

**FLCR Research Report**

- (3) On June 24, 2002, WestPark issued a research report on FLCR, an OTC Bulletin Board traded issuer, rating the common stock as a "strong buy," with a twelve-month price target of \$11.00, which had a closing price of \$3.05 on June 21, 2002 at \$3.05.
- (4) In April 2002, Excel Publishing, a public company, sold its existing business operations, effected a 1:15 reverse stock split, and reverse merged with FullCircle Registry, a

technology-based emergency information and document management company.

- (5) Excel's first quarter Form 10QSB for the period ending March 31, 2002, filed on May 14, 2002, contained a going concern clause, noting that the company had incurred losses since its inception and had not yet been successful in establishing profitable operations and its current liabilities exceeded its current assets.
- (6) Before merging with Excel, Full Circle Registry, had essentially no operating history, and had never made money. It had retained losses of \$2,144,451 as of December 31, 2001, losing \$474,414 in FY 2001 and \$95,860 in the first quarter of 2002. FullCircle Registry had revenue of only \$3,211 in the first quarter of 2002. It had minimum principal payments due on notes payable of \$595,000 in 2002 and \$450,931 in 2003.
- (7) Independent auditors reports for both Excel Publishing and Full Circle Registry contained going concern clauses.
- (8) FLCR was a speculative security.
- (9) The FLCR research report omitted material facts and qualifications including the following:
  - a. The Company was the product of an April 17, 2002 reverse merger between Excel Publishing, the publicly traded company, and FullCircle Registry.
  - b. On April 5, 2002, the Company sold its investment newsletter business to Excel Publishers, Inc.
  - c. FLCR's most recent SEC filing included a going concern clause.
  - d. FLCR's accountants continued to include going concern clauses in the financial reports filed with the SEC on FLCR after the merger between Excel and Full Circle Registry.
  - e. The private company, Full Circle Registry, had no operating history.

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- f. FullCircle Registry had revenue of only \$3,211 in the first quarter of 2002.
  - g. FLCR had minimum principal payments due on notes payable of \$595,000 in 2002 and \$450,931 in 2003.
  - h. FullCircle Registry had never made money before merging with Excel. It had retained losses of \$2,144,451 as of December 31, 2001. It lost \$474,414 in FY 2001 and \$95,860 in the first quarter of 2002.
  - i. On about April 10, 2002, FLCR effected a 1:15 reverse stock split.
  - j. The research report did not disclose the pre-merger financial condition of the private company.
- (10) The FLCR research report did not contain an adequate disclosure of the risks associated with the price target.
- (11) The FLCR research report made exaggerated, unwarranted and misleading statements and claims including the following:
- a. "FullCircle has developed a recurring revenue business model with significant operating leverage and extraordinary profit potential."
  - b. "The immediate potential market for FLCR services includes 105 million families living in the United States, and we believe the international market potential is also substantial. If only 3% of the families that comprise the potential U.S. market were to purchase and/or renew FullCircle Registry memberships, the Company's recurring revenues would approach 100 million annually. We believe such market penetration could be achieved or exceeded within the next five years,"
  - c. "We expect FLCR to achieve profitability within twelve months, and earnings should increase at a 50%-100% annual rate several years there after."
  - d. "By the end of 2002, we believe the number of FullCircle members can reach or exceed 75,000,

which should allow FLCR to record revenues approaching \$2.5 million in the current year. Revenues should approach \$15 million next year with growth at a 50%-100% average annual rate for the next several years."

- e. FLCR's 12-month price target was \$11.00; and FLCR's earnings projections were \$2 million for 2002, \$10 million for 2003, \$22 million for 2004, and \$52 million for 2005.
- (12) WestPark and Respondent knew or had reason to know that the statements and claims were unwarranted, exaggerated, false or misleading.
- (13) The FLCR research report was misleading in light of these omissions, exaggerated, unwarranted and misleading statements and claims.
- (14) WestPark and Respondent did not have a reasonable basis for recommending FLCR as a "strong buy" or for the 12-month price target of \$11.00 for FLCR.
- (15) By virtue of this conduct, WestPark and Respondent violated Conduct Rules 2210(d)(1)(A) and (B) and 2210(d)(2)(B)(i) and engaged in conduct which did not comply with high standards of commercial honor and just and equitable principles of trade, thereby also violating NASD Conduct Rule 2110.

#### **The EARZ Research Report**

- (16) On April 3, 2002, WestPark released a research report that raid the common stock of EARZ, an OTC Bulletin Board issuer, as a "buy." EARZ was the product of a July 6, 2001 reverse merger between American Absorbent Natural Products ("AANP"<sup>1</sup>) and Audio Books of Texas, Inc., a private company founded in 1992. AANP had been engaged in the mining and processing of elite. Audio Books rented and sold audio books.
- (17) At the time WestPark completed the research report, the last available Form 10K for the company noted that AANP had incurred net losses since inception and had experienced liquidity problems and contained a going concern clause. The September 10, 2001, Form 8K/A on the AANP/Audio

Books merger, which contained audited financial on both companies, contained going concern clauses for both AANP and Audio books. The Form 8K/A noted that as of December 31, 2000, Audiobooks was in a negative working capital position and stockholders deficit position.

- (18) EARZ's Form 10QSB for the quarter ending September 30,2001, showed that the post-merger company had not significantly improved its financials. EARZ had an accumulated deficit of \$7,410,392, a working capital deficit of \$5,191,224, and year to date operating losses of more than \$2 million. EARZ noted that it might have to curtail operations if it could not obtain more working capital and reiterated the going concern clause.
- (19) EARZ was a speculative security.
- (20) The EARZ research report omitted material facts and qualifications including the following:
  - a. EARZ is the product of a July 6, 2001 reverse merger between American Absorbent Natural Products ("AANP") and Audio Books of Texas, inc., a private company founded in 1992. AANP had been engaged in the mining and processing of zeolite. Audio Books rented and sold audiobooks.
  - b. AANP had incurred net losses since its inception.
  - c. Both AANP's and AudioBooks' audited financials contained going concern clauses.
  - d. As of December 31, 2000, Audiobooks was in a negative working capital position and stockholders deficit position.
  - e. The post-merger company had not significantly improved its financials.
  - f. EARZ had an accumulated deficit of \$7,410,392, a working capital deficit of \$5,191,224, and year to date operating losses of more than \$2 million. EARZ noted that it might have to curtail operations if it could not obtain more working capital and reiterated the going concern clause.

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- (21) The EARZ research report did not contain an adequate disclosure of the risks associated with its buy recommendation.
- (22) The EARZ research report made exaggerated, unwarranted and misleading statements and claims including the following:
  - a. "EARZ expects a minimum of \$3 million cash infusion from sale of hard assets acquired through a reverse merger with AANP. The Company expects these proceeds to be available by end of Q2 2002."
  - b. "EARZ entered into an agreement to purchase one of the largest distributors of videos in the country. Revenue from this acquisition are expected to exceed \$3 million annually with approximately \$400,000 in annual cash flow. EARZ is expected to close this transaction by end of Q2 and pay between \$1 million to \$1.2 million in cash." c. Pro-forma sales projections of \$5,800,000 for the year ended 2002 and \$ 14,900,000 for the year ended 2003.
- (23) WestPark and Respondent knew or had reason to know that the statements and claims were unwarranted, exaggerated, false or misleading.
- (24) The EARZ research report was misleading in light of these omissions, exaggerated, unwarranted and misleading statements and claims.
- (25) WestPark and Respondent did not have a reasonable basis for recommending EARZ as a "buy."
- (26) The EARZ research report contains a chart comparing the company's price structure to Talking Book World's price structure, and a table showing price and earnings information without providing sources for the information.
- (27) By virtue of this conduct, WestPark and Respondent violated Conduct Rules 2210(d)(1)(A) and (B), 2210(d)(2)(B)(i) and 2210(d)(2)(K) and engaged in conduct which did not comply with high standards of commercial honor and just and equitable principles of trade, thereby also violating NASD Conduct Rule 2110.

**The RTIN Research Report**

- (28) On December 6, 2001, WestPark released a research report that rated the common stock of RTIN, an OTC Bulletin Board issuer, as a "strong buy." The company had just undergone a major reorganization. Before October 2001, RTIN Holdings, Inc., formerly Restaurant Teams International, Inc., was a restaurant holding company, which owned and operated a small number of restaurants. The restaurant business was unsuccessful and RTIN changed its business model from operating/managing restaurants to providing prescription technology to physicians and operating pharmacies.
- (29) On October 13, 2001, the company entered into an agreement to acquire Mede Systems, Inc. and Pegasus Pharmacy, Inc. Mede Systems is a medical communications and technology company that provides wireless prescription writing solutions. Pegasus Pharmacy, Inc. is the retail distribution division specializing in the filling of prescriptions generated by MedEx Systems technology.
- (30) On December 5, 2001, the company signed a stock purchase agreement with MedEx Systems and Pegasus Pharmacy, under which the company would acquire MedEx Systems and Pegasus Pharmacy on or before December 21, 2001.
- (31) RTIN was a speculative security.
- (32) The RTIN research report omitted material facts and qualifications including the following:
  - a. The company had just undergone a major reorganization. Before October 2001, it was a restaurant holding company, which owned and operated a small number of restaurants. It had just changed its business to providing prescription technology to physicians and operating pharmacies, by acquiring MedEx Systems, Inc, and Pegasus Pharmacy, Inc.
  - b. Medex Systems, Inc and Pegasus Pharmacy had limited operating histories and were in poor financial condition.

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- c. RTIN's auditors had included a going concern clause in the statement accompanying the company's last audited financials.
  - d. Before it acquired MedEx Systems, RUN loaned MedEx \$220,000. Upon completion of the acquisition, \$110,000 was to be converted into contributed capita) and the balance was to be converted to intra-company debt.
  - e. RTIN's balance sheet on September 30, 2001, showed total assets of \$2,973,797; (only \$42,188 in cash), total current liabilities of \$2,800,819; accumulated deficit of \$13,876,027; and total stockholder equity of only \$90,477.
  - f. RTIN had a net loss of \$137,282 for the three months ending September 30, 2001. For the nine months that ended September 30, 2001, RTIN had a net loss of \$660,313 and a net cash loss of \$979,057 from operating activities.
  - f. RTIN could not complete the company's Form 10QSB filing on time without incurring undue expenses.
- (33) RTIN research report did not contain an adequate disclosure of the risks associated with its buy recommendation.
- (33) The RTIN research report made exaggerated, unwarranted and misleading statements and claims including the following:
- a. Earnings per share estimates of \$1.55 for 2002; \$6.93 for 2003; and \$12.74 for 2004.
  - b. "Under the new business model, RTIN is estimated to generate Gross Revenue in excess of \$675,000 per month per location with a Net Pre-Tax Profit of \$175,000 per month or over \$2 million per location per year."
  - c. "RTIN plans to open 33 locations by year-end 2002 with an average of 18 physicians per location."

- d. "Given the low capital cost of opening a new location (approximately \$75,000 per location), the Company is not required to raise additional capital in order to finance its expansion plan. The Company, may however, explore financing options, but it prefers' to grow from cash flows as to avoid any farther equity dilution for its current shareholders."
  - e. The pro-forma income statement contains the following revenue projections: \$149,835,000 for 2002; \$682,546,000 in 2003; and \$1,252,321,000 in 2004.
  - f. "What makes RTIN's business model unique is this component – patients being treated by physicians utilizing RTIN's technology can only purchase their prescribed medicine at PEGASUS Pharmacies, where their higher margins (although competitively priced medications) drive profits to the bottom line."
- (35) WestPark and Respondent knew or had reason to know that the statements and claims were unwarranted, exaggerated, false or misleading.
  - (36) The RTIN research report was misleading in tight of these omissions, exaggerated, unwarranted and misleading statements and claims.
  - (37) WestPark and Respondent did not have a reasonable basis for recommending RTIN as a "strong buy."
  - (38) The RTIN research report contains a table showing price and earnings information, a chart showing stock price information, a table labeled "Industry Comparisons" and three pages of financial data on RTIN without providing a source for the information.
  - (39) By virtue of this conduct, WestPark and Respondent violated Conduct Rules 2210(d)(1)(A) and (B) and 2210(d)(2)(B) and (K) and engaged in conduct which did not comply with high standards of commercial honor and just and equitable principles of trade, thereby also violating NASD Conduct Rule 2110.

**The USAS Research Report**

- (40) On July 25, 2001, WestPark issued a research report on USAS, an OTCBB stock, rating the common stock as a "buy" with a price prediction of \$5.00. The stock was trading at \$0.43.
- (41) USAS was the product of a reverse merger between USAOneStar.Net, Inc., a private company, which provided educational Internet service and e-commerce solutions, and Covallis Inc., a publicly traded company, which had ceased all business operations on December 31, 1989. Corvallis' stockholders had paid incidental expenditures to keep the company on active status with the State and stock exchanges, while it sought a merger with an existing, operating company. The independent auditor's report for Corvallis contained a "going concern" clause.
- (42) On December 8, 2000, USAS completed the reverse merger and the company's symbol changed to USAS. USAS merged with Palladium Communications on August 31, 2001.
- (43) USAS was a speculative security.
- (44) The USAS research report omitted material facts and qualifications including the following:
  - a. The company was the product of a December 8, 2000, reverse merger between Corvallis, Inc. a publicly traded company and USAOneStar Texas, a privately held company.
  - b. The most recent Form 10K for the public company, Corvallis, Inc., included a going concern clause.
  - c. The private company, USAOneStar Texas, began business on July 21, 2000. The private company was also in financial trouble. As of November 30, 2000, it had revenues of only \$101,489, and a net loss of \$851,919 from inception to November 30, 2000. It had total assets of only \$189,371, mostly of property and equipment, and total liabilities of \$1,040,290.
  - d. The Independent Auditor's Report for the post merger company contained a going concern clause.

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- (45) The USAS research report did not contain an adequate disclosure of the risks associated with its buy recommendation.
- (46) The USAS research report made exaggerated, unwarranted and misleading statements and claims including the following:
- a. "Our twelve-month target price for USAStar.net is \$5/share ---- yielding a market capitalization of about \$75 million. By this time a year from now, investors will be looking to 2003 expectations, and at a price of \$5/share, USAS would be valued at 5 times the next year's earnings."
  - b. "We believe the Company is poised to achieve almost \$37 million in sales by 2003 and EPS of \$1.00."
  - c. "Given the absence of heavy start-up expenditures in the R&D and server-infrastructure, USAStar.Net is expected to report profitability this year."
  - d. "USAStar.Net appears poised to be one of those companies filling such a localized niche. There are scores of other companies attempting to do the same, however, to the best of our knowledge, USAS is the only publicly held company in this particular space [non-metropolitan space]. This means that USAS also has the potential to represent a leading consolidation vehicle in what is now a highly fragmented industry."
  - e. "Our earnings model leads us to conclude that USAStar.Net has the ability to earn \$1.00 per share in 2003 on sales of almost 37 million. These (numbers are based on the Company attracting less than 1/2 of 1% of the Internet-user market"
  - f. "Our twelve-month target price for USAStar.net is \$5/share—yielding a market capitalization of about \$75 million. By this time next year, investors will be looking at 2003 expectations, and at a price of \$5/share, USAS would be valued at 5 times the next year's earnings. At a \$75 million valuation, we also point out that this is less than two times that year's projected sales."

- g. "We believe that USAOneStar.Net, Inc. will evolve into a highly profitable network marketer of Internal and telecommunications services within a relatively short period of time."
  - h. "Because of the predictable recurring revenue aspects of ISP and telephone services, we believe USAOneStar.Net, Inc. will become a "magnet" for highly motivated salespersons, and this should drive revenues forward at an impressive pace."
  - i. "We believe that adequate financial resources will be available to support USAOneStar.Net, Inc.'s anticipated growth during the foreseeable future. Capital expenditures should not exceed \$1 million next year, and the achievement of our earnings estimates should support a secondary stock offering at substantially higher stock prices (if needed) during FY2002."
  - j. "We believe that the company is poised to achieve almost \$37 million in sales by 2003 and EPS of \$1.00."
- (47) WestPark and Respondent knew or had reason to know that the statements and claims were unwarranted, exaggerated, false or misleading.
- (48) The USAS research report was misleading in light of these omissions, exaggerated, unwarranted and misleading statements and claims.
- (49) WestPark and Respondent did not have a reasonable basis for recommending USAS as a "strong buy" or for the \$5.00 target price for USAS.
- (50) The USAS research report contains a table showing price and earnings information, a chart showing stock price information, an overview chart providing information on the top ten website companies, and balance sheets and income statements for USAS without providing sources for the information.
- (51) By virtue of this conduct, WestPark and Respondent violated Conduct Rules 2210(d)(1)(A) and (B), and 2210(d)(2)(B)

and (K) and engaged in conduct which did not comply with high standards of commercial honor and just and equitable principles of trade, thereby also violating NASD Conduct Rule 2110.

**The NTAI#1 And NTAI#2 Research Reports**

- (52) On November 29, 2001, WestPark issued a research report on NTAI (NTAI#1), rating the common stock a "strong buy" with a price prediction of \$22. The stock was then trading at \$5.40. On September 17, 2002, WestPark issued a second research report on NTAI (NTAI#2) rating the common stock a "strong buy" with a price prediction of \$25. The stock was then trading at \$18.90.
- (53) NTAI manufactures a large volume of various consumer electronics and telecommunication products. The company incorporated in 1987 under the laws of the British Virgin Islands. The company's principal executive officers are in Hong Kong, China and the company's design and manufacturing facility is in Shenzhen, China.
- (54) NTAI was a speculative security.
- (55) Both NTAI research reports failed to provide even the most basic information about the company and the substantial risks involved with an investment in the company's stock.
- (56) Both NTAI research reports omitted material facts and qualifications that the company had included in its filings with the SEC, including the following:
  - a. We are dependent on a few large customers and have no long-term contracts with them. Our sales would substantially decrease and we would suffer decreases in net income or losses if we lose any of our largest customers or if they substantially reduce their orders.
  - b. We are facing increasing competition, which has caused us to change our strategy and has had an adverse effect on our gross profit margins.
  - c. General competition in the contract electronic manufacturing industry is intense characterized by price erosion, rapid technological change and

competition from major U.S. and international companies. This intense competition could result in pricing pressures, lower sales, reduced margins, and lower market share. Over the last several years, our profit margins have declined substantially, from 17.2% for 1999, to 14.8% for 2000, and to 12.8% in 2001. The primary reasons for this decline has been our strategy to enter a less competitive market place for more advanced subassemblies.

- d. If we cannot increase sales of our lower margin products, or if we are forced to continue to lower our prices, our net sales and gross margins will decline. If we cannot stem the decline in our gross margins, our financial position may be harmed and our stock price may decrease.
- e. We may not be able to compete successfully with our competitors, many of whom have substantially greater resources than we do.
- f. Many of our competitors have greater financial, technical, marketing, manufacturing, vertical, integration, and personnel resources and there can be no assurance that we will continue to compete successfully with these organizations.
- g. We must spend substantial amounts to maintain and develop advanced manufacturing equipment and engage additional engineering personnel in order to attract new customers and business.
- h. Our failure to implement new manufacturing processes timely could result in lost sales and lower margins or even losses.
- i. We face numerous risks as a result of our operations in China and Hong Kong.
- j. Our manufacturing facilities are located in China. As a result, our operations and assets are subject to significant political, economic, legal and other uncertainties associated with doing business in China.

- k. The Chinese government could change its policies toward or even nationalize private enterprise, which could result in the total loss of our investment in that country.
  - l. We have no long-term contracts to obtain components and our profit margins and net income could suffer from increases in component prices.
  - m. We may lose sales if suppliers of needed components fail to meet our needs.
  - n. Our results could be harmed if we have to comply with new environmental regulations.
  - o. Political instability, and changes in import/export regulations, tariffs and freight rates in countries other than China where we do business could cause our profit margins to decline.
  - p. The concentration of share ownership in our senior management allows them to control or substantially influence the outcome of matters requiring shareholder approval.
  - q. Our exemptions from certain of the reporting requirements under the Exchange Act limits the protections and information afforded to investors.
- (57) The NTAI research report did not contain an adequate disclosure of the risks associated with its buy recommendation.
- (58) The NTAI #1 research report made exaggerated, unwarranted and misleading statements and claims including the following:
- a. "By constantly developing new technologies, Nam Tai avoids having to compete against larger companies with greater technical financial, and marketing resources in a market with continuous pricing pressures and declining profit margins."
  - b. "Nam Tai is well positioned to capitalize on the growing trend to outsource manufacturing to China. Operating in China has many advantages, and with

more than 20 years of experience and relationships in this region Nam Tai knows what works."

- (59) The NTAI #2 research report made exaggerated, unwarranted and misleading statements and claims including the following: "By constantly developing new technologies, Nam Tai avoids having to compete against larger companies with greater technical, financial, and marketing resources in a market with continuous pricing pressures and declining profit margins."
- (60) WestPark and Respondent knew or had reason to know that the statements and claims were unwarranted, exaggerated, false or misleading.
- (61) The NTAI research reports were misleading in light of these omissions, exaggerated, unwarranted and misleading statements and claims.
- (62) WestPark and Respondent did not have a reasonable basis for recommending NTAI as a "strong buy" or for the \$22.00 target price in the NTAI #1 research report.
- (63) WestPark and Respondent did not have a reasonable basis for recommending NTAI as a "strong buy" or for the \$25.00 target price in the NTAI #2 research report.
- (64) Both the NTAI #1 and NTAI #2 research reports contain tables showing price and earnings information, charts showing stock price information and industry comparison charts without providing a source for the information
- (65) The NTAI #1 research report failed to disclose the fact that Rappaport owned NTAI stock and warrants. The NTAI #2 research report failed to disclose the fact that Rappaport owned NTAI warrants.
- (66) By virtue of this conduct, WestPark and Respondent violated Conduct Rules 2210(d)(1)(A) and (B) and 2210(d)(2)(B) and (K) and engaged in conduct which did not comply with high standards of commercial honor and just and equitable principles of trade, thereby also violating NASD Conduct Rule 2110.

**The NTAI#2 Research Report**

- (67) The NTAI#2 research report did not disclose that Respondent owned NTAI warrants at the time WestPark distributed it.
- (68) The NTAI#2 research report rated the stock as a "strong buy," without defining what that term meant.
- (69) The price target contained in the NTAI#2 research report did not have a reasonable basis. The NTAI #2 research report does not disclose the risks that may impede achievement of the price target.
- (70) The NTAI #2 research report does not make all disclosures required by NASD Rule 2210. The NTAI #2 research report does not make all disclosures required by NASD Rule 2711 (h) on the front page of the research report. The front page of the NTAI #2 research report does not refer to the page containing the disclosures required by NASD Rule 2711(h). The disclosures and references to disclosures required by NASD Rule 2711(h) are not clear, comprehensive and prominent.
- (71) By virtue of this conduct, WestPark and Respondent violated Conduct Rules 2711 (h)(I), (4), (7), (9) and (10) and engaged in conduct which did not comply with high standards of commercial honor and just and equitable principles of trade, thereby also violating NASD Conduct Rule 2110.

#### **Approval of the Research Reports**

- (72) WestPark and Respondent did not have a principal initial the research reports as evidence of supervisory review before the Firm released the reports. By virtue of this conduct, WestPark and Rappaport violated Conduct Rules 2210(b)(1) and (2) and engaged in conduct which did not comply with high standards of commercial honor and just and equitable principles of trade, thereby also violating NASD Conduct Rule 2110.

#### **Written Supervisory Procedures**

- (73) When it released the Second NamTai Research Report, WestPark had not adopted and implemented written supervisory procedures reasonably designed to ensure compliance with the provisions of Rule 2711. By virtue of this conduct, WestPark and Rappaport violated Conduct

Rules 2711(i) and 3010 and engaged in conduct which did not comply with high standards of commercial honor and just and equitable principles of trade, thereby also violating NASD Conduct Rule 2110.

**Conclusion**

- (74) Based on the foregoing, Respondent violated NASD Conduct Rules 2210(b)(1), 2210(d)(1)(A) and (B), 2210(d)(2)(B), 2210(d)(2)(K), 2711(h)(1), (4), (7), (9) and (10), 2711(i) and 3010. Respondent engaged in conduct which did not comply with high standards of commercial honor and just and equitable principles of trade, violating NASD Conduct Rule 2110.
4. That Section 8.E (1)(j) of the Act provides, inter alia, that the registration of a Salesperson or Investment Advisor Representative may be revoked if the Secretary of State finds that such Salesperson or Investment Advisor Representative has been suspended by any self-regulatory organization registered under the Federal 1934 Act or the Federal 1974 Act arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation or standard duly promulgated by the self-regulatory organization.
5. That the NASD is a self-regulatory organization as specified in Section 8.E (1)(j) of the Act.

WHEREAS, by means of the Stipulation Respondent has acknowledged, without admitting or denying the averments, that the following shall be adopted as the Secretary of State's Conclusion of Law:

The Respondent's registration as a Salesperson and Investment Advisor Representative in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(j) of the Act.

WHEREAS, by means of the Stipulation Respondent has acknowledged and agreed that he will not serve his dealer (WestPark Capital Corporation) in the capacity of Designated Principal for the offer or sale of securities in the State of Illinois for a period of Three (3) Years from the date of this Consent Order

WHEREAS, by means of the Stipulation Respondent has acknowledged and agreed that he has submitted with the Stipulation a certified or cashier's check in the amount of Five Hundred dollars (\$500.00) to cover costs incurred during the investigation of this matter. Said check has been made payable to the Office of the Secretary of State, Securities Audit and Enforcement Fund.

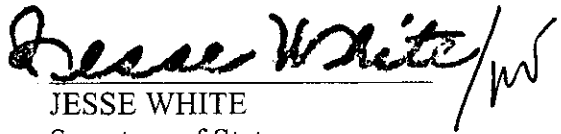
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WHEREAS, the Secretary of State, by and through his duly authorized representative, has determined that the matter related to the aforesaid formal hearing may be dismissed without further proceedings.

NOW THEREFORE IT SHALL BE AND IS HEREBY ORDERED THAT:

1. The Notice of Hearing dated August 2, 2006 is dismissed.
2. The Respondent, Richard A. Rappaport shall not serve his dealer ("WestPark Capital Corporation") in the capacity of Designated Principal for the offer or sale of securities in the State of Illinois, for a period of Three (3) Years from the entry of this Consent Order.
3. The Respondent is levied costs of investigation in this matter in the amount of Five Hundred dollars (\$500.00), payable to the Office of the Secretary of State, Securities Audit and Enforcement Fund, and on April 13, 2007 has submitted Five Hundred dollars (\$500.00) in payment thereof.
4. The formal hearing scheduled on this matter is hereby dismissed without further proceedings.

DATED: This 19th day of April 2007.

  
JESSE WHITE  
Secretary of State  
State of Illinois

**NOTICE:** Failure to comply with the terms of this Order shall be a violation of Section 12.D of the ACT. Any person or entity that fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of this Order, shall be guilty of a Class 3 felony for each offence.

**This is a final order subject to administrative review pursuant to the Administrative Review Law [735 ILCS 5/3-101 et seq.] and the Rules and Regulations of the Act (14 Ill. Admin. Code, Ch. 1 Sec. 130.1123). Any action for judicial review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.**