

NEW YORK STOCK EXCHANGE, INC.

**EXCHANGE HEARING PANEL DECISION 02-84**

April 11, 2002

STUART LESLIE WEISBROT

FORMER REGISTERED REPRESENTATIVE

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**Violated Exchange Rule 472(a) by posting electronic communications concerning securities on Internet chat rooms without Firm approval; posted electronic communications, without Firm approval, containing speculative statements concerning securities which might reasonably be expected to affect market conditions at a time he and customers held an interest in such securities – Consent to censure and two month bar.**

**Appearances:**

For the Division of Enforcement  
Steven F. Korostoff, Esq.  
Neil T. O'Donnell, Esq.

For the Respondent  
James A. Batson, Esq.

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An Exchange Hearing Panel met to consider a Stipulation of Facts and Consent to Penalty entered into between the Exchange's Division of Enforcement and Stuart Leslie Weisbrot, a former registered representative with PaineWebber Incorporated. Without admitting or denying guilt, Mr. Weisbrot consents to findings by the Hearing Panel that he:

- I. Violated Exchange Rule 472(a) by posting electronic communications concerning securities on Internet chat rooms without the knowledge and approval of his member firm employer.
- II. Engaged in conduct inconsistent with just and equitable principles of trade by posting on Internet chat rooms, without the knowledge or approval of his member firm employer, electronic communications containing speculative statements concerning securities which might reasonably be expected to affect market conditions at a time when he and/or his customers held an interest or position in such securities.

For the sole purpose of settling this disciplinary proceeding, the Division of Enforcement and Mr. Weisbrot stipulate to certain facts, the substance of which follows:

**Background and Jurisdiction**

1. Weisbrot was born in February 1949. He entered the securities industry in June 1975 with a non-member firm. Weisbrot joined Paine, Webber, Jackson & Curtis Inc., a predecessor of PaineWebber Incorporated (the "Firm"), in January 1977, and was

first approved as a registered representative (“RR”) by the Exchange in March 1977. Weisbrot left the Firm in April 1978, and from 1978-1998 was employed by other member and non-member firms.

2. In December 1998, Weisbrot became employed by the Firm again. He was employed as an RR in the Firm’s Boca Raton, Florida office from December 1998 until February 2000, when his employment was terminated as a result of the conduct involved herein.
3. In March 2000, Weisbrot obtained employment with another member organization. He left that firm in October 2000, and was not employed in the securities industry until January 2001, when he obtained employment with another securities firm in a non-registered capacity as a recruiter. Weisbrot left that firm in September 2001. He is not currently employed in the securities industry in a registered capacity.
4. On March 15, 2000, the Exchange received from the Firm a Form U-5 (Uniform Termination Notice for Securities Industry Registration) reporting the termination of Weisbrot’s employment, and that he had violated Firm policies regarding electronic communications with the public.
5. By letter dated August 4, 2000, which Weisbrot received, Enforcement notified him that it was investigating the matters reported in the Form U-5.
6. Thereafter, Weisbrot appeared and, represented by counsel, testified in connection with Enforcement’s investigation.

### **Summary of Violative Conduct**

7. During the period August 1999 to January 2000 (the “Relevant Period”), on one or more occasions, Weisbrot violated Exchange Rule 472(a) by posting communications concerning securities on Internet chat rooms without the knowledge or approval of his member firm employer. During the Relevant Period, Weisbrot also engaged in conduct inconsistent with just and equitable principles of trade by posting on Internet chat rooms, without the knowledge or approval of his member firm employer, electronic communications containing speculative statements concerning securities which might reasonably be expected to affect market conditions at a time when he and/or his customers held an interest or position in such securities.

### **Unapproved Communications With the Public on Internet Chat Rooms**

8. Exchange Rule 472(a) states that “Each advertisement, market letter, sales literature or other similar type of communication which is generally distributed or made available by a member or member organization to customers or the public shall be approved in advance by a member, allied member, supervisory analyst or person designated under the provisions of Rule 342(b)(1).” Rule 472.10 defines

“communication” as including, among other things, “electronic communications ... which are shown or distributed to customers or the public.”

9. In or about August 1999, Weisbrot began posting electronic communications on three chat rooms maintained by Internet service providers that were devoted to the securities industry. The Internet chat rooms were organized by particular security, and allowed an individual identified by a screen name to post messages that anyone who accesses such chat rooms could read. Weisbrot was able to access these chat rooms through his computer terminal at the Firm’s branch and via his home computer, and used various screen names on such chat rooms.
10. During the Relevant Period, Weisbrot posted numerous electronic communications on the aforementioned Internet chat rooms, without the Firm’s knowledge or approval.
11. More than 100 of these electronic communications concerned a particular company (hereinafter “XYZ”). At all times relevant herein, the shares of such company were traded on NASDAQ.
12. Approximately 50 of the aforementioned postings discussed facts provided by XYZ’s Investor Relations department and gave predictions of a profitable future for the company and its shareholders.
13. Examples of Weisbrot’s postings include:

Chat Room	Date	Screen Name Used	Content of Posting
I	8/11/99 at 1:35 p m	SLW050	[XYZ] is a winner. Patience will be rewarded. Stock is way oversold and shouldn’t be held in the same way as other internet stocks that are 2 to 3 years old. This is a start up situation, with a terrific future ...
I	8/17/99 at 12:01 p m	SLW050	In mid April the stock was trading at 17. Today after all its accomplished the stock is 16 ½. Is this a buying opportunity? It would appear that way. If not then in 25 years in the business, this would be a first.
II	9/5/99 at 1:32 p m	StuWFL	Those investing in [XYZ] in the last 6 months are buying its future not its past. The potential of this company is unbelievable. It’s no hype but reality. The syock (type error) secondary is adding shares of stock to the company but also more cash to do great things for the company.
II	9/8/99 at 11:18 am	StuWFL	Have things changed? Yes, for the better. What took this stock into the 30’s and up to 40 a few months ago was based on things happening within the company. They have surpassed our expectations, but delays in the merger and getting the carriers going sooner have disappointed many and brought the stock down. Don’t fear, we will rise again, very, very soon. I guarantee it!
II	9/10/99 at 4:23 p m	StuWFL	Discover [XYZ] ... In time, millions will discover and utilize [XYZ.com] like that commercial the revenues will keep flowing and flowing and flowing.
II	9/22/99 at 10:35 am	StuWFL	It doesn’t take a rocket scientist to understand what [XYZ] is all about ... [XYZ] decided to change its company many months ago into what is today. Today

			there is a conference being held for institutional investors and as word gets out about this company, positive things will occur. I'm an optimist with regard to this stock. For a living, I am an option strategist and as optimistic as I am with what I do and my track record will prove my success, [XYZ] will be a success as well ...
III	12/2/99 at 7:30 am	The secretariat73	Check out [XYZ] big news came out and going higher. Big short position out there.

14. During the Relevant Period, while Weisbrot was making statements about XYZ on the on-line chat rooms, he and his customers held or traded shares of XYZ. Weisbrot held positions ranging from 100 to 5,000 shares, which he typically held for several days. During the Relevant Period, Weisbrot's trading for his own account in XYZ resulted in a net loss of \$29,168.
15. Approximately 18 Firm customers whose accounts were handled by Weisbrot also held positions in XYZ at certain points during the Relevant Period. One customer held positions ranging from approximately 13,590 to 84,800 shares. The other customers held positions ranging from 50 to 6,500 shares. The trading in XYZ was not profitable for any of these customers.
16. During the Relevant Period, the volume of XYZ shares traded daily and the price of the stock both fluctuated significantly. (The stock was also volatile prior to the Relevant Period.) The closing price of the stock ranged between a high of approximately 46 and a low of approximately 14 during the Relevant Period, with the stock's daily volume ranging between 50,000 and 400,000 shares.

### **DECISION**

The Hearing Panel, in accepting the Stipulation of Facts and Consent to Penalty, found Mr. Weisbrot guilty as set forth above by unanimous vote.

### **PENALTY**

In view of the above findings, the Hearing Panel, by unanimous vote, imposed the penalty consented to by Mr. Weisbrot of a censure and a bar for a period of two months from membership, allied membership, approved person status, and from employment or association in any capacity with any member or member organization.

For the Hearing Panel

Milton M. Stein  
Hearing Officer