

S. Kaswell



DIVISION OF ENFORCEMENT

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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ENERGY AND COMMERCE  
U.S. HOUSE OF REPRESENTATIVES  
JUL 09 1986

The Honorable John D. Dingell  
Chairman, Committee on Energy and  
Commerce  
Room 2125 Rayburn House Office  
Building  
Washington, D.C. 20515

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Dear Chairman Dingell:

This is in response to your letter of May 14, 1986, wherein you referred certain correspondence from Robert F. Cephas concerning First Jersey Securities, Inc. (First Jersey) to Chairman Shad. The Commission is presently litigating a civil action, SEC v. First Jersey Securities, Inc. and Robert E. Brennan, [S. D.N.Y. 85 CIV. 8585 (RO)] against First Jersey and its principal, Robert E. Brennan (Brennan). The Commission's complaint alleges generally that the Defendants generated large profits on sales of low-priced securities by recommending that customers of certain First Jersey offices sell a particular security while simultaneously recommending the purchase of that security to customers of other First Jersey offices. On April 22, 1986, Judge Owen denied Defendants' motions to dismiss and the case is now in the discovery phase.

As part of the relief sought, the Commission's complaint asks for permanent injunctions under the anti-fraud provisions of the federal securities laws against Brennan and First Jersey; disgorgement of all illegal proceeds resulting from Defendants' alleged fraudulent course of business, including \$9.6 million from the purchases and sales of securities of Sovereign Chemical and Petroleum Products, Inc. and Rampart General, Inc. in November 1982, and Quasar Microsystems, Inc. in January 1983; and the appointment by the Court of a Special Agent to examine Defendants' books and records to determine whether there may be other instances, such as possibly the solicited purchases of SunSav, Inc. complained of in Mr. Cephas' letter, of illegal markups charged to First Jersey customers.

Since filing its lawsuit, the Commission has received numerous letters and telephone calls from investors inquiring about discrepancies between prices charged them by First Jersey and prices quoted by other broker-dealers for the securities named in the Commission's complaint or for securities sold to customers during the time period covered by the complaint's alle-

gations. The staff will follow up on these complaints to determine whether the information is pertinent to the Commission's case or whether other action is appropriate.

Finally, with respect to the facts presented by Mr. Cephas, please be advised that similar alleged false statements form the basis for indictments of three First Jersey registered representatives for perjury by a Grand Jury in the Southern District of New York. (United States v. James R. Guntle, Jr., 86 CR. 377; United States v. Michael Patrick Flannery, 86 CR. 374; and United States v. Charles Oehlert, 86 CR. 376.)

I trust this information will be helpful to you in responding to Mr. Cephas. If you need any further information, please feel free to contact John L. Hunter, Assistant Chief Litigation Counsel (telephone: (202) 272-2320), who is familiar with the civil litigation pending against First Jersey.

Sincerely,

  
Gary Lynch  
Director