BEFORE THE NATIONAL ADJUDICATORY COUNCIL

NASD

In the Matter of Department of Enforcement, Complainant, vs. John M. Meyers Coram, NY and Brian C. Klein Farmingdale, NY, Respondent.	DECISION Complaint No. C3A040023 Dated: January 23, 2007

Respondents engaged in fraud by recklessly failing to disclose sales incentives to customers and by recklessly making baseless price predictions to customers. Held, Hearing Panel's findings affirmed and sanctions modified.

Appearances

For the Complainant: Leo F. Orenstein, Esq., Department of Enforcement, NASD

For Respondent Brian C. Klein: Barry R. Fertel, Esq.

For Respondent John M. Meyers: Pro Se

Decision

John M. Meyers ("Meyers") and Brian C. Klein ("Klein") (together "respondents") appeal an August 5, 2005 Hearing Panel decision under NASD Procedural Rule 9311(a).[1] The

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[1] Meyers did not file an appellate brief. Under NASD Procedural Rule 9344(b), the National Adjudicatory Council ("NAC") or Review Subcommittee of the NAC may dismiss the appeal as abandoned if an appealing party fails to submit a brief in response to a request under NASD Procedural Rules 9346 and 9347. We have declined to take such action. Furthermore,

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Hearing Panel found that Meyers and Klein fraudulently failed to disclose to customers sales incentives that they would be receiving for selling a particular recommended stock. The Hearing Panel also found that Meyers and Klein made fraudulent price predictions for the stock. The Hearing Panel fined Meyers $45,000 and suspended him in all capacities for 18 months and fined Klein $40,000 and suspended him in all capacities for one year. The Hearing Panel further ordered Meyers and Klein to requalify in all capacities. We have thoroughly reviewed the record and affirm the Hearing Panel's findings of violation. We modify the Hearing Panel's sanctions by barring both respondents in all capacities. We also fine each respondent the amount of the net sales incentives they were paid.

I. Background

Meyers entered the securities industry in February 1995 as a general securities representative with a former member firm. He was associated with that firm until September 1995. Meyers then became associated with a different former member firm as a general securities representative from October 1995 through August 1998, and as a general securities principal from June 1997 through August 1998. In August 1998, Meyers registered with former member firm First Providence Financial Group, LLC ("First Providence" or "the Firm") as a general securities representative and general securities principal. He remained associated with the Firm in those capacities through October 2001. He was also registered with First Providence as an options principal from August 2000 through October 2001. Meyers was associated with First Providence during the period relevant to the allegations in this matter, October 1998 through November 1999. In October 2001, Meyers registered with another member firm as a general securities representative, general securities principal, and options principal, and voluntarily terminated his association with that firm in November 2005.

Klein entered the securities industry in February 1996 with a former NASD member firm, eventually becoming registered with that firm as a general securities representative in July 1997. He remained with that firm until January 1998. In January 1998, Klein became registered with First Providence as a general securities representative, and was associated with the Firm in that capacity until October 2001. He was associated with First Providence during the period relevant to the allegations in this case. In October 2001, Klein became associated with another member firm as a general securities representative, working in the same firm as Meyers. Klein voluntarily terminated his association with that firm in December 2006.

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counsel for the NAC advised Meyers by letter that he could end his appeal only by filing a written notice of withdrawal of appeal that complied with the requirements of NASD Procedural Rule 9311(f). Meyers did not submit a written notice of withdrawal. We have therefore considered Meyers's appeal on the basis of the written record before us.

II. Factual and Procedural History

A. Complaint

On May 14, 2004, NASD's Department of Enforcement ("Enforcement") filed separate complaints against respondents Meyers and Klein as a result of a routine examination that led to an investigation of First Providence's involvement in the transactions at issue.[2] The complaints alleged that from October 1, 1998, until November 1999, while associated with First Providence, Meyers and Klein engaged in fraud: (1) by failing to disclose to purchasers that Meyers and Klein would receive compensation, over and above their normal commission, for the sale of Natural Health Trends Corporation ("NHTC") stock; and (2) by making unreasonable price predictions to customers who purchased NHTC stock. The complaints alleged that Meyers's and Klein's actions violated Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), Exchange Act Rule 10b-5, and NASD Conduct Rules 2120 and 2110.

Meyers and Klein filed answers to the complaints, denying the allegations. A consolidated hearing was held in New York City over an eight-day period in March 2005. The Hearing Panel issued a decision on August 5, 2005, finding respondents liable for the misconduct alleged in the complaints.

B. Natural Health Trends Corporation

NHTC was a small-cap company that was traded on the Nasdaq market. NHTC was incorporated in Florida in 1988 under a different name, changed its name to NHTC in 1993, and became a public company through an initial public offering ("IPO") in 1995. SEC filings as of the beginning of the relevant period – October 1998 – stated that NHTC was in the business of developing and operating businesses to "promote human wellness." From its inception, until July 1997, NHTC operated three vocational schools that offered training in massage therapy and skin care. The company also operated two "natural health care centers [that] provided multidisciplinary complementary health care in the areas of alternative and nutritional medicine," according to its 1997 annual report as filed with the SEC. After its acquisition of Global Health Alternatives, Inc. ("GHA") in July 1997, NHTC began marketing a line of natural, over-the-counter, homeopathic pharmaceutical products in addition to operating the vocational schools and natural health care centers.

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[2] On May 27, 2004, Enforcement filed a complaint against Israel E. Lozada ("Lozada") alleging essentially the same misconduct as that alleged against Meyers and Klein. NASD's Chief Hearing Officer consolidated into a single proceeding the *Meyers*, *Klein*, and *Lozada* matters, noting that the allegations against respondents were the same except for allegations identifying specific affected customers. The Hearing Panel's findings and sanctions against Lozada are not at issue here, however, because Lozada did not appeal the Hearing Panel's decision.

In August 1998, NHTC issued a press release stating that it had sold its three vocational schools and "disposed" of the two natural health care centers that it previously operated. The press release also stated that the individual who founded NHTC and served as its president, chief executive officer, and a director, and two other former NHTC directors, had resigned from NHTC and bought the three vocational schools. The announcement concluded that these transactions and $1.65 million that NHTC raised through the issuance of additional convertible preferred shares would enable the company to focus on developing and marketing its "proprietary line of natural health products."

NHTC's SEC financial filings show that the company had constant financial problems. In 1997, NHTC reported net losses of $7,725,120 on reported revenues of $6,992,516. Although NHTC had sold convertible debentures and convertible preferred stock through private placements in an effort to raise capital in 1997, the company nevertheless had a working capital deficit of approximately $4.6 million at the end of the year. Moreover, NHTC's 1997 annual report included an opinion in which the accounting firm that certified the company's annual report expressed "substantial doubt about [NHTC's] ability to continue as a going concern."

NHTC's financial problems continued in 1998. Although NHTC sold more than $3.7 million in convertible preferred stock during the first half of 1998 in an effort to raise more cash for its operations, it had a working capital deficit of more than $3 million as of June 30, 1998. Subsequent to the quarter ending June 30, 1998, Nasdaq notified NHTC that the company had fallen below the net tangible asset requirement for continued Nasdaq listing and was at risk of being delisted. NHTC requested a hearing, which was held on September 29, 1998. After the hearing, Nasdaq permitted the company to continue its listing on the condition that it demonstrate by February 1, 1999, that it could sustain compliance with all Nasdaq listing requirements. This conditional status was denoted by a "C" modifier appended to NHTC's trading symbol from October 30, 1998 through February 26, 1999, when the modifier was removed because NHTC demonstrated its ability to comply with the listing requirements.

In November 1998, NHTC's management gave an optimistic "road show" presentation to First Providence brokers, including respondents. The presentation included an overview of the company that described: (1) the "Natural Products Industry"; (2) NHTC's products, in particular; (3) NHTC's marketing strategy, which management characterized as "guerilla marketing"; and (4) NHTC's acquisition strategy, which included the proposed acquisition of Kaire International, Inc. ("Kaire International"), a company that "distribute[d] natural products through its network of 425,000 marketing associates." The road show presentation did not describe any of the company's operating or Nasdaq delisting problems.

NHTC ended 1998 with net losses of $1,288,012 on reported revenues of $1,191,120. NHTC's annual report for 1998 included another "going concern" opinion from the same accounting firm that certified the company's 1997 annual report.

NHTC's finances did not improve in 1999. In the first quarter of 1999, NHTC purchased the assets and some of the liabilities of Kaire International. NHTC's third quarter financial report showed that the company had a net loss from operations for the year of $3,122,604 on revenues of $11,826,722. NHTC warned in its third quarter financial report that any failure to obtain additional financing or to reach satisfactory settlements with certain of its creditors "would have a material adverse effect on its business, prospects, financial conditions and results of operations."

C. Sales of NHTC Shares to First Providence Customers

1. First Providence Provides Additional Compensation to Brokers Selling Shares of NHTC

In October 1998, Paul Wasserman ("Wasserman"), who owned the Firm with Klein's brother, Kenneth Klein, told the brokers at First Providence that the Firm was recommending the purchase of NHTC to its customers, and that the brokers would be credited with compensation in addition to their usual percentage of the Firm's mark-up[3] on each transaction. For purposes of this decision, we refer to the additional compensation as a "sales incentive."

Although the amount of the mark-up charged on each sale of NHTC stock was disclosed on the customer confirmations, the sales incentives earned by brokers were not disclosed to customers. First Providence brokers generally received compensation equal to approximately 50 percent of the gross compensation attributed to their sales, which consisted of the disclosed mark-ups and the undisclosed sales incentives.

2. Meyers and Klein Receive Undisclosed Sales Incentives

Wasserman placed NHTC stock on the list of recommended stocks at First Providence at the same time the Firm began applying a sales incentive to each NHTC sales transaction. First Providence registered representatives who provided investigative testimony to Enforcement stated that Wasserman and/or Meyers advised them about the sales incentives that would be applied to sales of NHTC stock. As a result, Meyers and Klein and other First Providence brokers began recommending and selling large volumes of NHTC shares to their customers in early October 1998. By April 30, 1999, First Providence customers held 4.7 million shares of NHTC or at least 75 percent of the total float of approximately 6.2 million shares as reported in the company's first quarter financial report filed with the SEC.

Meyers and Klein continued to sell large amounts of NHTC stock to customers until November 1999, the end of the relevant period. The gross compensation for NHTC sales attributed to Meyers and Klein was at least 74 percent of each of their respective total gross compensation during the relevant period.

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[3] First Providence customers paid a mark-up – an amount that is added to the purchase price of a security. NASD Conduct Rule IM-2440 ("Mark-Up Policy") establishes five percent as a reasonable guideline in determining whether a mark-up is fair. The percentage of the mark-up, however, is but one factor among other relevant factors used to determine the fairness of mark-ups. *See* IM-2440(a)(5).

In November 1999, First Providence ceased paying its brokers sales incentives on NHTC sales, and Meyers's and Klein's sales of NHTC plummeted. For the month of November 1999, Meyers's NHTC sales accounted for only 5.2 percent of his gross commissions on sales of all stocks, compared to 72.4 percent in October 1999, and 86.59 percent in September 1999. Klein had no sales of NHTC stock in November 1999, compared to sales of NHTC stock accounting for 60.1 percent of his gross commissions on sales of all stock in October 1999, and 90.1 percent in September 1999.

Meyers and Klein both acknowledged in testimony that they routinely did not disclose to customers that they would or might receive sales incentives from the Firm for selling shares of NHTC to public customers, purportedly because they were unsure whether they would receive the sales incentives. Meyers and Klein testified that Wasserman, one of First Providence's owners and its sales manager, offered and paid the sales incentives at his discretion and that the sales incentives were based upon the brokers attaining a certain sales target that was characterized as a "break point." However, the Firm trading records and commission reports show that Meyers and Klein received sales incentives on virtually all completed sales. As set forth in a later settlement, Wasserman and Kenneth Klein were the source of the NHTC stock, which they obtained at a deep discount from non-registered entities as a result of transactions that were not registered with the SEC and NASD, as required.[4]

D. Customers Receive Predictions from Meyers and Klein on the Future Price of NHTC Stock

A number of Meyers's and Klein's customers testified about specific price predictions that respondents gave to them with respect to the future price of NHTC stock. Meyers and Klein both acknowledged making predictions about the future price of NHTC stock to their customers. They claimed that such predictions were based upon independent analysis they each allegedly performed to determine the company's prospects.[5]

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[4] Wasserman, Kenneth Klein, and the Firm entered into an Acceptance, Waiver, and Consent ("AWC") with NASD on December 10, 2003, in which they agreed to the expulsion of First Providence from NASD membership and individual bars from association with any NASD member in any capacity. The AWC included findings that, in most cases, Kenneth Klein and Wasserman paid for the NHTC shares via a promissory note, which was paid following the sales of the shares. The AWC also included findings that while the Firm's brokers were marketing NHTC stock to customers, Wasserman and others manipulated the price of the stock increasingly higher by up-ticking the inside bid price at the same time the Firm held a large inventory position.

[5] The evidence includes testimony from six of Meyers's customers and six of Klein's customers, and responses by those customers and numerous other customers to questionnaires provided by Enforcement. The Hearing Panel rejected Meyers's and Klein's assertions that the questionnaires were unclear, leading, or otherwise improper and unreliable. The Hearing Panel, however, found it "unnecessary to rely on the various dollar amounts or time periods cited by the customers in the questionnaires or testimony insofar as they conflict with Respondents'

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1. Meyers

Meyers testified that he did not specifically remember giving a price range to a particular customer, but that when the stock was trading at $3 to $3.50 per share, he would tell customers, "[i]f they asked," that the stock would be trading in the range of "$6 to $8" per share in six months to one year. He denied ever advising customers that the price of NHTC stock would increase any higher than from $6 to $8 per share. The customers who testified stated, however, that Meyers had given them predictions about the future price of NHTC stock in excess of the $6 to $8 per share range that Meyers admitted disclosing to customers.

Customer MH responded to a question at the hearing about whether he ever had any discussion with Meyers about the future price of NHTC by stating: "Yes. My recollection was that he felt that the stock could be a target price of $20 in three to six months, [and] it could reach as much as $50 a share within a year." Customer GB testified that Meyers told him that the price of NHTC shares would go up to the "$18 or $19" per share range. Customer KM testified that Meyers stated that NHTC was "recommended by his analysts as a 20 plus company," when the stock was selling at that time for "four, five, six or seven" dollars per share. Customer RM testified that Meyers urged him to sell other stock in order to purchase shares of NHTC based on his prediction that it would be a "$12, $15 stock short term." Customer JS testified that Meyers led him to believe that the stock could "increase to somewhere in the $15 to $20 area over a relatively short period of time, twelve to eighteen months."

2. Klein

Klein admitted in his July 20, 2001 on-the-record testimony that a price target of $7 to $10 per share for NHTC had been discussed at the Firm, and that he had shared the price target with some of his customers. During his March 15, 2005 hearing testimony, however, Klein denied ever telling his customers about a $7 to $10 price target. Klein did not offer any explanation at the hearing for this change in testimony and admitted that he might have told customers that the price of NHTC stock could double.

Klein's customers testified at the hearing about specific price predictions of the future price of NHTC that Klein related to them during his sales pitch. Klein recommended NHTC to customer RR, who testified that Klein stated that, "it was a growth stock ready to explode. It could easily double." Customer MM testified that Klein "was continually touting the stock, telling me how it was going to go up, at one point to $8, at one point to a little over $10." Customer DH testified that Klein told him that the price of NHTC shares was expected to double

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admissions." We rely upon the testimony from the customers who testified extensively because this testimony was observed directly by the Hearing Panel and was subject to cross-examination. We find it unnecessary to rely upon the customer questionnaires with respect to their responses about whether Meyers and Klein gave them predictions about the future price of NHTC stock because respondents admitted that they gave target prices.

again. Customer JE testified that Klein recommended the purchase of NHTC stock to him as "a good investment," and that Klein "had a very good sales pitch" that included a prediction that the stock would "double in price." Customer MD confirmed at the hearing that his response on the questionnaire was correct regarding Klein's statement to him that the price of NHTC stock would climb to "eight dollars a share within nine months."

III. Discussion

The Hearing Panel found that Meyers and Klein violated Section 10(b) of the Exchange Act, SEC Rule 10b-5, and NASD Rules 2120 and 2110 by failing to disclose that they would receive sales incentives for the sales of shares of NHTC and by making fraudulent price predictions. We sustain these findings.

A. Applicable Legal Standards

Violations of Section 10(b) of the Exchange Act, SEC Rule 10b-5, and NASD Conduct Rule 2120 require findings that misrepresentations or omissions were: (1) made in connection with the purchase or sale of a security; (2) material; and (3) made with "scienter."[6] *See Dane S. Faber*, Exchange Act Rel. No. 49216, 2004 SEC LEXIS 277, at *13-14 & n.11 (Feb. 10, 2004) (*citing SEC v. First Jersey Secs., Inc.*, 101 F.3d 1450, 1467 (2d Cir. 1996)). Scienter is a mental state that the Supreme Court has defined as "an intent to deceive, manipulate or defraud." *Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 194 (1976).

We apply these standards first to the allegations that Meyers and Klein failed to disclose to customers the sales incentives that they were receiving on sales of NHTC shares and then to the allegations that Meyers and Klein provided customers with fraudulent price predictions.

B. Fraudulent Failure to Disclose Sales Incentives to Customers

It is undisputed that Meyers and Klein did not disclose to customers that, in addition to their regular compensation on the mark-ups of NHTC, they were paid a sales incentive.

1. Meyers's and Klein's Material Omissions

The issue is whether the sales incentives that were offered and paid to Meyers and Klein would be considered material information to the customers to whom they were aggressively recommending the purchase of NHTC. We conclude, on the basis of the record before us, that Meyers's and Klein's failure to inform customers of the sales incentive being paid to them on sales of NHTC was a material omission.

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[6] Misrepresentations and omissions also are inconsistent with just and equitable principles of trade and therefore are a violation of NASD Conduct Rule 2110. NASD Rules that apply to an NASD "member," like 2110, apply to all members and to persons associated with a member. NASD Rule 115(a).

Meyers and Klein admitted that they discussed their compensation with customers without disclosing that they would receive sales incentives. Indeed, in some cases, Meyers and Klein disclosed to customers only that they would not be charged a commission on their purchase of NHTC stock.[7]

"[M]ateriality depends on the significance the reasonable investor would place on the withheld or misrepresented information." *Basic v. Levinson*, 485 U.S. 224, 240 (1988). An untrue statement or omission is "material" if there is "a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information available." *Time Warner, Inc. Sec. Litig.*, 9 F.3d 259, 267-68 (2d Cir. 1993) (*quoting TSC Indus., Inc. v. Northway, Inc.*, 426 U.S. 438 (1976)).

"The question of materiality is an objective one." *SEC v. Hasho*, 784 F. Supp. 1059, 1110 (S.D.N.Y. 1992). The case law has consistently held that a failure to disclose information related to a registered representative's own self-interest constitutes a material omission. In *Chasin v. Smith Barney & Co.*, 438 F.2d 1167, 1172 (2d Cir. 1970), the court found that the failure to disclose the firm's position as a market maker was a material omission. The court stated that customers should be given the option of "evaluat[ing] the overlapping motivations through appropriate disclosures, especially where one motivation is economic self-interest." *Id*. In one of the seminal cases on this issue, *Hasho*, 784 F. Supp. at 1108 (*citing Chasin*, 438 F.2d at 1172), the judge concluded that the failure to disclose to customers the amount of commissions defendants were receiving on the sale of house stocks was a material omission. The court stated that, "[m]isrepresenting or omitting to disclose a broker's financial or economic incentive in connection with a stock recommendation constitutes a violation of the anti-fraud provisions" of the securities laws. *Id*.

The SEC has applied the principle set forth in *Hasho* to two cases in which the omission to disclose compensation was at issue. In *Richard H. Morrow*, 53 S.E.C. 772, 781-782 (1998), the SEC found that Morrow's failure to disclose to prospective investors additional compensation, characterized as an "equity kicker," violated Section 17(a)(2) of the Securities Act of 1933. The SEC held that "[w]hen recommending securities to a prospective investor, a securities professional must not only avoid affirmative misstatements, but must also disclose 'material adverse facts,' including any self-interest that could influence the salesman's recommendation." *Id*. (internal citations omitted). In *Joseph J. Barbato*, 53 S.E.C. 1259, 1274 (1999), the SEC found that Barbato's failure to disclose the compensation he received for selling his firm's "house stocks" violated Section 10(b) of the Exchange Act and SEC Rule 10b-5. Given these established precedents, our finding of materiality is within the existing framework on this issue.

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[7] Meyers's customer KM testified at the hearing that Meyers indicated that he would not take a commission on the purchases of NHTC stock for KM's account, and that he would take a larger percentage when the stock was sold. Klein's customer MD testified at the hearing that Klein advised him that there would be no commission charged on the purchase of NHTC securities for his account.

The record includes substantial evidence that Meyers's and Klein's failure to disclose the sales incentives to customers was a material omission. First, Meyers and Klein never disclosed that they would be receiving a sales incentive to their customers. The customers could not find this information on their confirmations, it was not in any disclosure documents, and they were not told orally. Second, the amount of compensation that Meyers and Klein received through sales incentives on NHTC sales to customers was far above the norm for such transactions, usually substantially exceeding the amount of the mark-up that was disclosed on the confirmations to the customers. Moreover, the gross compensation, which consisted of the undisclosed sales incentive and the disclosed mark-up, attributed to Meyers's and Klein's sales, was as high as 20 percent of the price that the customer paid for the stock, in some cases.

Klein asserts that a registered representative's compensation is not a material fact that is required to be disclosed. In support, Klein cites *U.S. v. Alvarado*, 2001 U.S. Dist. LEXIS 21100, at *29 (S.D.N.Y. 2001), a criminal case in which the judge granted the defendants' motion to strike paragraphs from the indictment that characterized an undisclosed payment of excessive compensation as "fraudulent sales practices." The judge explained that, "in *ordinary circumstances*, the compensation of a registered representative is not a material fact to the transaction being entrusted to him." *Id*. at *27 (emphasis added). Significantly, however, the judge denied defendants' motion to preclude evidence of the compensation paid, stating that it was "relevant to the means by which the managers . . . motivated the defendants to commit the other fraudulent sales practices charged." *Id*. These evidentiary rulings resolving a procedural matter in a criminal proceeding provide no support for Klein's proposition. Moreover, the implication in *Alvarado* is that under circumstances that are not "ordinary," the compensation of a registered representative could be construed as a material fact.[8] The circumstances involving Meyers and Klein present just such a case. Meyers and Klein received undisclosed sales incentives that were sometimes as high as 10 times the disclosed mark-ups on voluminous sales of a continually poor performing company.

We also note that although Meyers admitted in the proceedings below that he asked his supervisors at First Providence and a previous firm with which he was associated whether he had to disclose sales incentives, "[he] cannot hide behind reliance on [his] employer[] . . . to insulate [him] from liability." *Hasho*, 784 F. Supp. at 1109 (finding that statements made by a salesman's superiors do not provide an adequate basis for representations made to investors); s*ee, e.g.*, *Dan King Brainard*, 47 S.E.C. 991, 996 (1983) (finding that statements made by a salesman's superiors do not provide an adequate basis for representations made to investors).

Meyers and Klein argued in the proceedings below that their failure to disclose the sales incentives was not misleading because of their alleged uncertainty about whether they would

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[8] Indeed, the judge in *Alvarado* stated that a registered representative purchasing a house stock in a discretionary account "could have a discretionary duty to disclose *extraordinary* compensation being received for such purchases." (emphasis added.) *Alvarado*, 2001 U.S. Dist. LEXIS 21100, at *28.

receive sales incentives on their sales of NHTC stock. Respondents' assertion is unpersuasive. The materiality of contingent or speculative facts depends upon "a balancing of both the indicated probability that the event will occur and the anticipated magnitude of the event." *Basic v. Levinson*, 485 U.S. at 238 (internal quotation omitted). Here, the trading records and commission reports demonstrate that Meyers and Klein received sales incentives for virtually all completed sales during the relevant period.[9] Thus the probability that they would receive payments based on the sales incentives was extremely high. The magnitude of the sales incentives also was high as established by the evidence. The amount of the undisclosed sales incentives significantly exceeded the amount of the disclosed mark-up on respondents' sales of NHTC stock to their customers. Further, respondents received the majority of their compensation during the relevant period from sales of NHTC stock.

We conclude that, under these facts, the probable receipt of a sales incentive for a stock that generated a substantial portion of Meyers's and Klein's total compensation was material information that respondents were required to disclose when recommending purchases of NHTC to their customers.[10] Meyers's and Klein's omission of this material information deprived their customers of the knowledge that Meyers and Klein "might be recommending a security based upon [their] own financial interest rather than the investment value of the recommended security." *Hasho*, 784 F. Supp. at 1110.

2. <u>Meyers and Klein Acted with Scienter</u>

Circuit courts of appeals generally are in agreement that recklessness satisfies the scienter requirement. *See Hollinger v. Titan Capital Corp.*, 914 F.2d 1564 (9th Cir. 1990) (en banc); *Woods v. Barnett Bank*, 765 F.2d 1004, 1011 n.9 (11th Cir. 1985). The courts have defined recklessness as "an extreme departure from the standards of ordinary care, and which presents a danger of misleading buyers or sellers that is either known to the defendant or is so obvious that the actor must have been aware of it." *Howard v. Everex, Inc.*, 228 F.3d 1057, 1063 (9th Cir. 2000); *accord Sunstrand Corp. v. Sun Chem. Corp.*, 553 F.2d 1033, 1045 (7th Cir. 1977). We

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9 Although Meyers and Klein testified that they did not review the completed order tickets, which included a box labeled "gross credit" that was the total of the mark-up and the sales incentive for each transaction, they admitted knowing that they were earning a sales incentive on NHTC sales based on their receipt of a commission report with their monthly paychecks showing their commission payout for the month. Klein confirmed at the hearing that any amount of gross commission that exceeded five percent of a customer's cost to purchase was a sales incentive because the mark-ups never exceeded five percent.

10 *See, e.g.*, *Kevin Eric Shaughnessy*, 53 S.E.C. 692, 695 (1998) (finding that Shaughnessy's failure to disclose his acceptance of kickbacks to sell particular securities was an omission of a material fact); *Stone v. Kirk*, 8 F.3d 1079, 1087 (6th Cir. 1993) (finding that accountant's failure to disclose the material fact that he received an 18 percent commission on securities sold to his customers was material).

find that Meyers and Klein acted, at a minimum, recklessly, thereby satisfying the scienter requirement.

Klein argues in his brief on appeal that there can be no finding of scienter absent a rule requiring that sales incentives be disclosed. In support of his assertion, Klein cited cases with facts that are distinguishable from those here, such as *Platsis v. E.F. Hutton & Co.*, 946 F.2d 38, 41 (6th Cir. 1991). In *Platsis*, the court found that it could not make a finding of reckless misconduct where a firm "merely" failed to disclose the existence of "production credits" to investors in the absence of "special circumstances." As a basis for its finding, the court stated that there could be no finding of scienter because there was no established regulatory duty to disclose these items. *Id*. The outcome in *Platsis* is not applicable to the facts before us.[11] Here, there are "special circumstances" that lead us to conclude that Meyers and Klein acted recklessly. The sales incentive was exorbitant, greatly exceeding the amount of the disclosed mark-up in most cases. Furthermore, Meyers and Klein sold an enormous volume of NHTC shares during the relevant period. As a result, they received large payouts that greatly surpassed the amount they would have made based on a percentage of the disclosed mark-up. Moreover, while Meyers and Klein were receiving the sales incentive, they were selling shares of NHTC in an overly aggressive manner. Once the sales incentive was rescinded, Meyers's and Klein's sales of NHTC stock declined significantly. These facts establish that the sales incentive was the primary motivation for Meyers's and Klein's sales of NHTC stock to their customers. Based on these facts, Meyer's and Klein's failure to disclose the sales incentive to their customers rendered their recommendations to customers to buy NHTC stock fraudulent.

Moreover, there is no requirement that there be a regulatory rule requiring disclosure of additional compensation for a finding of scienter when the facts demonstrate that a registered representative has "ignored [his] general duty of fair dealing." *Hasho*, 784 F. Supp. at 1107; *see also Shaughnessy*, 53 S.E.C. at 696 (finding that the respondent acted recklessly in accepting "secret" payments from a stock promoter for selling particular stocks, and rejecting respondent's

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[11] Klein also cites two other cases that are distinguishable in a factual context from this matter. In *Shivangi v. Dean Witter Reynolds, Inc.*, 825 F.2d 885, 889 (5th Cir. 1987), the court found that, based on the record, defendants did not act with scienter when they failed to disclose to customers that the firm's account executives received higher compensation for principal trades of over-the-counter stocks in which Dean Witter was a market maker than for other sales. The court concluded that defendants did not knowingly fail to disclose the account executive's compensation and did not recommend the stock at issue based on the compensation arrangement. Similarly, the judge in *Castillo v. Dean Witter Discover & Co.*, 1998 U.S. Dist. LEXIS 9489, at **35-36 (S.D.N.Y. June 25, 1998), dismissed a complaint against Dean Witter with permission to replead. The court found that because there is no established duty to disclose that a firm's brokers earn more compensation for selling proprietary products than for selling non-proprietary products, there was no support for a finding of recklessness. These cases are inapplicable to our analysis because they focus on disclosing differing amounts of compensation between sales transactions, not whether a respondent acted recklessly in never disclosing significant compensation.

argument that NASD failed to identify a rule that specifically prohibits the receipt of compensation from stock promoters).

We find that under the facts of this particular case, Meyers and Klein acted, at a minimum, recklessly, and that they therefore satisfied the scienter requirement. Here, the incentive compensation was materially heightened (typically substantially exceeding the amount of the disclosed mark-up), respondents' misconduct took place over a lengthy period of time, the respondents earned at least 74 percent of their total compensation from sales of NHTC, and respondents repeatedly discouraged customers from selling the stock.

In sum, we affirm the Hearing Panel's finding that, with scienter, Meyers and Klein omitted material information by failing to disclose to customers the sales incentive offered and applied to their sales of NHTC stock, in violation of Section 10(b), SEC Rule 10b-5, and NASD Conduct Rules 2120 and 2110.[12]

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[12] The Hearing Panel did not make a finding regarding the number of customers to whom Meyers and Klein intentionally or recklessly failed to disclose the sales incentives. The complaint against Meyers alleges that he failed to disclose to at least 36 of the retail customers that his compensation would include a sales incentive. The complaint against Klein alleges that he did not disclose to at least 40 of his retail customers that his compensation would include a sales incentive.

We find that the evidence supports these allegations. Meyers and Klein did not dispute that they failed to disclose they would, or might, receive such sales incentives. Additionally, we have relied on both customer testimony and responses in the questionnaires provided to customers by Enforcement as evidence. Declarations of those customers who did not testify include hearsay statements. Formal rules of evidence do not apply to NASD proceedings, however, and the SEC has emphasized that "hearsay may be admitted into evidence and, in appropriate cases, may form the basis for findings of fact." *John Montelbano*, Exchange Act Rel. No. 47227, 2003 SEC LEXIS 153, at *22 (Jan. 22, 2003); *see also Dillon Sec., Inc.*, 51 S.E.C. 142, 150 (1992) (emphasizing that hearsay evidence is admissible in SRO proceedings and can even "constitute the sole basis for findings of fact"). We find that the customers' questionnaires are probative and reliable and that our consideration of them is appropriate. The questionnaires of the customers' who did not testify and responded, "no" to the question about whether anyone from First Providence disclosed to them that their broker's gross compensation would exceed the mark-ups disclosed on the confirmation statements are probative of the fact that Meyers and Klein did not disclose the sales incentive to them. In addition, the customers' statements have certain guarantees of reliability. The factors to consider, among others, include the possible bias of the declarant and whether the hearsay is corroborated. *See Charles D. Tom*, 50 S.E.C. 1142, 1145 n.5 (1992) (citations omitted). We note that there is no evidence that the customers who provided responses to the questionnaires were biased and we find that the customers who responded to the questionnaires provided responses that were consistent with each other and with the statements of the customers who testified and were corroborated by Meyers's and Klein's own testimony.

C. Meyers and Klein Made Fraudulent Price Predictions

Meyers and Klein admitted during the hearing in this matter that they made predictions about the future price of NHTC shares to their customers. They claimed, however, that such predictions were not fraudulent because they were cast merely as opinions. This assertion is contrary to extensive case law on the subject.

1. Material Misrepresentations

As an initial matter, "[g]uarantees and predictions of substantial price rises with respect to securities" must have a reasonable basis. *Hasho*, 784 F. Supp. at 1109. Absent a reasonable basis, such guarantees and predictions constitute material misrepresentations. Predictions of specific and substantial price increases for a speculative security within a relatively short period of time are a 'hallmark of fraud.'" *Barbato*, 53 S.E.C. at 1273 (citation omitted.) Moreover, price predictions and profit guarantees made without a reasonable basis are "not ameliorated where the positive prediction about the future performance of securities is cast as an opinion or possibility rather than as a guarantee." *Id*.

There is no dispute that NHTC was a speculative security.[13] There also is no dispute that Meyers and Klein consistently predicted the future price of NHTC. Meyers and Klein aggressively recommended the purchase of NHTC shares to their customers despite evidence in public filings that the company was plagued by continuous financial problems. Throughout the relevant period, the company experienced financial losses, leading the company's independent auditors to attach an opinion to the company's 1997 and 1998 annual reports stating that NHTC might not be able to operate as a "going concern" without the infusion of additional capital. Moreover, NHTC was forced to raise funds to finance its operations with convertible preferred stock offerings that diluted the value of existing equity interests in the company. Additionally, Meyers's and Klein's touting of NHTC continued unabated during the four-month period in which the company was in danger of being delisted from Nasdaq.

2. Meyers and Klein Acted with Scienter in Making Baseless Price Predictions

The SEC has stated previously that "it is inherently fraudulent to predict specific and substantial increases in the price of a speculative security." *Steven D. Goodman*, 54 S.E.C. 1203, 1209 (2001); *Brian Prendergast*, 55 S.E.C. 289, 301 (2001) (finding that the "mischaracterizations of the Hedge Fund obscured the nature of the product that potential investors were asked to purchase, and were material"); *Barbato*, 53 S.E.C. at 1274 (finding that Barbato acted with scienter by making price predictions); *Richard Bruce & Co.*, 43 S.E.C. 777, 782 (1968) (stating that predictions of "a sharp increase in earnings with respect to a speculative

[13] The record reflects that NHTC appeared on First Providence's approved stock list as a "speculative" buy. Indeed, Meyers and Klein acknowledged during the hearing that NHTC was a speculative security.

stock without disclosure of the uncertainties as well as known facts upon which a prediction rests [are] inherently misleading").

In addition to the inherently fraudulent nature of price predictions presented by the facts here, Meyers and Klein had no objectively reasonable basis for the predictions of the future price of NHTC stock that they so fervently communicated to their customers. As an initial matter, Meyers and Klein did not spend much, if any, time disclosing NHTC's poor financial situation and prospects. To the contrary, the evidence shows that Meyers and Klein engaged in high-pressure sales tactics, which consisted of unsupported statements and hyperbole about how the price of NHTC stock was poised to increase dramatically over a short period.

In addition to the specific price predictions that Meyers's and Klein's customers testified to at the hearing, the customers also testified about the sales pitches Meyers and Klein used in an effort to sell them shares of NHTC. The following are a few examples of the one-sided presentations that Meyers and Klein gave to their customers regarding NHTC. Customer MH stated that Meyers informed him that NHTC was a "rapidly growing over-the-counter . . . company with significant growth opportunity." Meyers, however, did not disclose any negative or cautionary information to MH about the stock or company; he only disclosed "positive" information about the stock. Customer RM testified that Meyers told him how "great" an investment NHTC would be, and that it would be a "great short term profit." Customer RR testified that Klein told him that NHTC was a "typical growth stock and it was ready to explode." Klein did not advise him of any negative information regarding the stock. Customer MM testified that Klein was "continually touting the stock," and did not advise him of any negative information as part of his sales pitch.

In defense of their aggressive sales of NHTC shares to customers during the relevant period, Meyers and Klein stated that they attended presentations by NHTC management in which the company and its prospects were described to the First Providence brokers in extremely positive terms. Such issuer-provided information, however, does not help Meyers's and Klein's cause. "A salesman may not rely blindly upon the issuer for information concerning a company. . . ." *Hanly v. S.E.C.*, 415 F.2d 589, 597 (2d Cir. 1969); *see also Nassar & Co.*, 47 S.E.C. 20, 22 (1978) (holding that respondent's "reliance on [the issuer's] self-serving statements was patently unwarranted"). In addition, "a salesman cannot deliberately ignore that which he has a duty to know." *Hasho*, 784 F. Supp. at 1107. Indeed, Meyers's and Klein's zeal for selling shares of NHTC during the relevant period coincided with the offer and payment of sales incentives on such NHTC sales. The facts establish a direct correlation between the offer and receipt of sales incentives and Meyers's and Klein's unrelenting sale of NHTC stock to customers during the relevant period. The record shows that whereas Meyers and Klein aggressively touted the stock to their customers while they were receiving a sales incentive on such sales, their sales dropped significantly once the sales incentives ceased in November 1999.

Although there was no reasonable basis from which Meyers and Klein could conclude that the price of NHTC would rise so spectacularly, they gave customers specific price predictions, as described above, without explaining the numerous downside risks presented by an investment in NHTC stock. As the Hearing Panel noted in its decision, NHTC's "future was so uncertain that First Providence's own analyst would not recommend it." There were no facts in

NHTC's public filings that supported the outlandish price predictions that Meyers and Klein included as a major component of their sales pitches to customers. Then, when the price of NHTC stock started to decline and the customers wanted to sell their shares, Meyers and Klein attempted to dissuade them from doing so.[14]

We thus find that, with scienter, Meyers and Klein made material misrepresentations to customers by giving them baseless predictions about the future price of NHTC shares. As explained in detail above, such material misrepresentations were, at a minimum, reckless because they led customers to believe that the price of NHTC stock would rise steeply within a short period with little or no downside risk. Based on this misconduct, we affirm the Hearing Panel's finding that Meyers and Klein violated Section 10(b), SEC Rule 10b-5, and NASD Conduct Rules 2120 and 2110.[15]

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In considering the totality of respondents' actions, we find that they committed fraud because their statements that the price of this speculative security would substantially increase were misrepresentations and—in connection with a recommendation to purchase NHTC—it was misleading for respondents to fail to disclose the substantial sales incentives that they were striving to collect.

V. Sanctions

We have determined that the facts of this case require us to increase the sanctions imposed by the Hearing Panel. The Hearing Panel rejected Enforcement's request for fines that would require respondents to disgorge significant financial gains from the sale of NHTC stock and for bars against Meyers and Klein. The Hearing Panel instead imposed fines of $45,000 and $40,000 against Meyers and Klein, respectively, and suspended them in all capacities for 18 months and 12 months, respectively. The Hearing Panel also ordered that Meyers and Klein requalify in all capacities.

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[14] Meyers's and Klein's customers testified about the pressure that Meyers and Klein exerted on them not to sell their NHTC shares.

[15] We note that the Hearing Panel did not connect its findings of violation to representations made to particular customers listed in cause two of the complaint. The complaint lists allegations made by customers who testified and those who did not. Because we relied only on the statements of the customers' who testified regarding price predictions, we make findings of violations only as to those customers. Therefore, we find that Meyers made baseless price predictions to customers GB, MH, KRM, RM, JS, and TW, and that Klein made baseless price predictions to customers MD, JE, DH, MM, and RR.

We conclude that, in order to protect the investing public, it is necessary to impose bars against Meyers and Klein with respect to our findings of violations. We also order Meyers and Klein to disgorge their ill-gotten gains in the amount of $213,957 and $174,676, respectively.[16]

The NASD Sanction Guidelines ("Guidelines") for misrepresentations or material omissions of fact recommend a fine of $2,500 to $50,000 and a suspension of up to 30 business days for negligent misconduct.[17] For intentional or reckless misconduct, the Guidelines recommend a fine of $10,000 to $100,000 and a suspension of 10 business days to two years. In egregious cases, the Guidelines recommend barring the individual and/or expelling the firm. The fine amount may be increased to take into consideration the respondent's financial benefit from the misconduct.[18] Because the failure to disclose sales incentives and misrepresentations regarding price predictions involve the same basic fraudulent activity, our analysis applies to both violations.

We consider Meyers's and Klein's misconduct to be egregious. Under the circumstances presented by this case, we consider, as a preliminary matter, whether the respondents' misconduct was the result of an intentional act, recklessness, or negligence.[19] As detailed above,

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16 The NASD Sanction Guidelines state that adjudicators "should impose a fine and require payment of restitution and disgorgement even if an individual is barred in all sales practice cases if the case involves widespread, significant and identifiable customer harm; or the respondent has retained substantial ill-gotten gains." Because respondents retained a significant financial benefit from their wrongdoing, we require that they disgorge the sales incentives they were paid on sales of NHTC stock. *NASD Sanction Guidelines* at 10 (2006 ed.) (Monetary Sanctions – Imposition and Collection of Monetary Sanctions), http://www.nasd.com/web/groups/enforcement/documents/enfrocement/nasdw_011038.pdf [hereinafter *Guidelines*]. Although the record includes customer testimony about losses they incurred, Enforcement did not request restitution for customers, and the evidence is insufficient to establish quantifiable injury as to identifiable customers.

We used the gross sales incentives attributed to Meyers's and Klein's respective brokerage accounts during the relevant period as a basis for determining an estimate of the sales incentives that they were paid on sales of NHTC stock, as set forth in the charts summarizing purchases in customer accounts of Meyers and Klein (attached to this decision as Appendices 1 and 2, respectively). We took 50 percent of the gross sales incentive figure to calculate the amount of the disgorgement because the testimony established that Meyers and Klein typically were paid 50 percent of the gross sales incentives on their sales of NHTC stock. We have not included any amounts that Meyers and Klein were paid as a percentage of the disclosed mark-ups. Additionally, we have not included transactions that appeared on respondents' respective commission reports but for which there was no order ticket for the transaction in the record.

17 *Guidelines* at 95 (2006 ed.) (Misrepresentations or Material Omissions of Fact).

18 *Id.* at 5 (General Principles Applicable to All Sanctions Determinations, No. 6).

19 *Id.* at 7 (Principal Considerations in Determining Sanctions, No. 13).

the record includes overwhelming evidence that Meyers and Klein acted recklessly in failing to disclose the sales incentives to customers and making baseless price predictions of the future price of NHTC stock. The fraudulent activities took place over more than a one-year period[20] and involved a voluminous number of trades.[21] In fact, the record shows that Meyers's and Klein's customers held approximately three million shares of NHTC at the end of the relevant period. We also have considered whether Meyers's and Klein's misconduct resulted in the potential for their monetary gain, and find that they profited handsomely from the sales of NHTC stock based on the approximate 50 percent payout they received on the mark-ups and sales incentives credited to their accounts. Indeed, Meyers and Klein "consistently and flagrantly, through omissions and misrepresentations," sold stocks to personally profit from the excessive sales incentives that were applied to their accounts on sales of NHTC stock. *Hasho*, 784 F. Supp. at 1108. We have identified no mitigating factors that could be weighed against these considerations.

Additionally, Meyers and Klein regularly discouraged their customers from selling NHTC stock throughout the period under review. Customers who testified in the proceedings below stated that, although respondents did not refuse their requests to sell shares of NHTC, respondents often responded to requests to sell by pressuring the customers not to sell and to buy more shares, stating that the stock would continue to gain or would recover from its losses. In several cases, customers who requested that respondents sell their NHTC shares ultimately bought more shares and did not sell their previously purchased shares after respondents continued to pitch the supposed virtues of the stock to them.

Klein argues that we should impose a lighter sanction than NASD imposed in another case involving baseless price predictions, claiming that the other case includes "far more egregious circumstances" than the facts at issue here. It is well established, however, that the appropriate sanction to be imposed in a particular case cannot be determined by reference to the facts of other cases**.** *See Davrey Financial Services*, Exchange Act Rel. No. 51780, 2005 SEC LEXIS 1288, at *27 n.27 (June 2, 2005) (*citing Butz v. Glover Livestock Comm'n Corp.*, 411 U.S. 182, 187 (1973)).

The Hearing Panel stated that, in determining the appropriate level of sanctions, it considered several factors that it concluded did not "mitigate[] the seriousness of [r]espondent's misconduct." The Hearing Panel nevertheless relied on those factors to determine that it would not be appropriate to bar Meyers and Klein.

We disagree with the Hearing Panel's analysis for the following reasons. The Hearing Panel stated that the violations took place in 1998 and 1999 when Meyers and Klein "were relatively new to the securities industry." Meyers and Klein, however, both had been in the industry for several years when the misconduct began in October 1998, having entered the

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20 *Id.* at 6 (Principal Considerations in Determining Sanctions, No. 9).

21 *Id.* at 7 (Principal Considerations in Determining Sanctions, No. 18).

industry in 1995 and 1996, respectively. Even if Meyers and Klein had been in the industry only a short time at the time of the misconduct, however, it would not be a factor that we would consider in determining the appropriate level of sanctions. "Youth or inexperience does not excuse a registered representative's duty to his clients. Moreover, such youth or inexperience does not excuse violations of the anti-fraud provisions of the securities laws." *Hasho*, 784 F. Supp. at 1108 (internal citations omitted).

The Hearing Panel also found that there was "no rule or clear standard requiring the disclosure of sales credits," and that when Meyers inquired he was advised by his superiors that no disclosure was required. As noted above, however, there is ample case law setting forth the duties and standards applicable to the activities of registered representatives. The Supreme Court has stated that the purpose of the securities anti-fraud provisions is "to substitute a philosophy of full disclosure for the philosophy of caveat emptor" so that investors have knowledge of material facts before purchasing or selling securities. *See Affiliated Ute Citizens v. United States*, 406 U.S. 128, 151 (1972) (*quoting SEC v. Capital Gains Research Bureau*, 375 U.S. 180, 186 (1963)). Normally, checking with an employer is to be commended, but under the circumstances of this case, that action alone is not sufficiently mitigating. We conclude that a bar is necessary based on the egregious nature of the misconduct here and the fact that Meyers and Klein could inflict damage to customers in the future similar to the harm that they caused to customers in this matter. Meyers and Klein deprived customers of essential material facts that caused them to invest in a stock that was speculative and produced losses. The evidence here shows that Meyers and Klein "totally ignored their general duty of fair dealing." *Id*.

In addition, the Hearing Panel stated that "[a]lthough the Panel finds that [r]espondents did not have, and could not have had a reasonable basis for the price predictions they made, NHTC was and remains a legitimate, operating company." The fact that the company had an operating history, however, does not lessen in any way the egregious nature of respondents' misconduct.

Finally, the Hearing Panel stated that "there is nothing in the record to suggest that any of the [r]espondents has engaged in any misconduct during the years since they left First Providence." It is well established, however, that while the existence of a disciplinary history is an aggravating factor when determining the appropriate sanction, its absence is not mitigating. *See, e.g., Dep't of Enforcement v. Fergus,* Complaint No. C8A990025, 2001 NASD Discip. LEXIS 3, at *58-59 (NAC May 17, 2001) (holding that the absence of disciplinary history is not considered part of "relevant disciplinary history" under the Guidelines for purposes of reducing sanctions); *Dep't of Enforcement v. Balbirer*, Complaint No. C07980011, 1999 NASD Discip. LEXIS 29, at **10-11 (NAC Oct. 18, 1999) ("We are not compelled to reward a respondent because he has acted in the manner in which he agreed (and was required) to act when entering this industry"). Indeed, the Commission has consistently rejected arguments that a lack of a disciplinary record is a factor mitigating the sanction of a bar. *See Daniel D. Manoff,* 55 S.E.C. 1155, 1165 (2002).[22]

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[22] Klein's attorney urged at the appeal hearing in this matter that the sanction imposed by the Hearing Panel be reduced because Klein had a "clean" disciplinary record since the

[Footnote continued on next page]

VI. Conclusion

We hold that Meyers and Klein recklessly omitted material information (sales incentives) in connection with their sales of NHTC securities to customers and that they recklessly made material misrepresentations to customers by making baseless price predictions, in violation of the Exchange Act and NASD Rules. Based on these violations, we bar Meyers and Klein. The bars are effective upon service of this decision. We also order Meyers and Klein to disgorge the financial benefit from their misconduct as a fine to NASD[23] in the amount of $213,957 and $174,676, respectively.[24] We affirm the Hearing Panel's order that Meyers, Klein, and Lozada each pay one-third of the hearing costs of $10,872.54. Lozada did not appeal but was a co-respondent in the proceedings below. We also impose $1,000 in appeal costs and $554.80 in transcript costs against Meyers and Klein, joint and several.[25]

On Behalf of the National Adjudicatory Council,

Barbara Z. Sweeney
Senior Vice President and Corporate Secretary

[cont'd]

misconduct alleged here. We reject Klein's argument based on the reasoning set forth above. In asking for a reduction in the sanctions, Klein's attorney also asked the Subcommittee of the NAC that was present at the appeal hearing to consider "the fact that [Enforcement] waited as long as they did to present the charges against him." The implication is that Klein might have been prejudiced because the complaint was filed in May 2004, approximately four years after Enforcement began investigating First Providence's involvement in the transactions at issue during a routine examination in June 2000. Klein's argument fails to address the core issue, however, which is how any passage of time before the complaint was issued adversely impacted his defense. See Mark H. Love, Exchange Act Rel. No. 49248, 2004 SEC LEXIS 318, at *16 (Feb. 13, 2004). There is no evidence in the record that Klein's ability to mount an adequate defense was compromised by the timing of the filing of the complaint in this matter.

23 We routinely order disgorgement of ill-gotten gains to be paid to NASD as a fine. See, e.g., Dep't of Enforcement v. Levitov, Complaint No. CAF970011, 2000 NASD Discip. LEXIS 12, at *34 (NAC June 28, 2000) ("Angeline is fined $803,000, [which] includ[es] disgorgement of $203,000 to the NASD").

24 The sanctions we imposed are consistent with the recommendations in the Guidelines.

25 We also have considered and reject without discussion all other arguments advanced by the parties.

NATURAL HEALTH TRENDS PURCHASES IN CUSTOMER ACCOUNTS OF JOHN MEYERS
OCTOBER 1, 1998 – NOVEMBER 18, 1999

Trade Date[1]	Customer	# Shares	Exec. Price	Mark-up	Gross Sales Incentive
10/1/98 3:52 P	GU[2]	2500	1 15/16 $4843.75	1/32 $78.12	1/32 /sh $78.12
10/1/98 3:54 P	GB	7500	1 15/16 $14,531.25	1/32 $234.37	1/32 /sh $234.38
10/1/98 4:01 P	MC	5000	2 $10,000	1/16 $312.50	Tkt: 0 Actual Incentive Paid: 1/32 /sh $156.25
10/6/98	BA	5000	2 1/16 $10,312.50	1/16 $312.50	1/16 /sh $312.50
10/6/98	SB	10,000	2 1/16 $20,625	1/16 $625	1/16 /sh $625
10/7/98	SB	20,000	2 11/32 $46,875	1/16 $1250	Tkt: 1/8 /sh $2500 Actual Incentive Paid: $.136875 $2737
10/8/98	MC	10,000	2 11/32 $23,437.50	1/16 $625	Tkt: 1/8 $1250 Actual Incentive Paid: $.136875 $1368.75
10/8/98	GU	2500	2 15/32 $6171.87	1/16 $156.25	$.1375/sh $343.75
10/8/98	HA	1000	2 15/32 $2468.75	1/16 $62.50	$.1375/sh $137.50
10/9/98	BA	45,000	2 9/16 $115,312.50	1/16 $2812.50	$.1475/sh $6637.50
10/9/98	MA	6000	2 23/32 $16,312.50	0	$.16/sh $960
10/9/98	BI	10,000	2 13/16 $28,125	3/32 $937.50	$.15625/sh $1562.50
10/13/98	RO	5000	3 1/32 $15,156.25	0	$.18/sh $900
10/14/98 11:26 A	HB	1500	3 5/16 $4968.75	1/16 $93.75	$.195/sh $292.50
10/14/98 3:26 P	SB	15,000	3 5/16 $49,687.50	1/16 $937.50	$.1975/sh $2962.50[3]

1 Time of execution also indicated where compensation varied within a trading day.

2 Customer names have been abbreviated. In cases in which no first name is available in the record, the first two letters of a customer's last name have been used.

3 The total gross sales incentive earned from 10/1/98 through 10/14/98 is $19,308.25.

Trade Date	Customer	# Shares	Exec. Price	Mark-up	Gross Sales Incentive
10/16/98	BI	10,000	3 13/32 $34,062.50	3/32 $937.50	$.19875/sh $1987.50
10/20/98	MC	10,000	3 5/16 $33,125	1/8 $1250	Tkt: $.375/sh $3750 Actual Incentive Paid: $.25/sh $2500
10/23/98	WA	5000	3 1/2 $17,500	1/8 $625	Tkt: $.375/sh $1875 Actual Incentive Paid: $.25/sh $1250
10/26/98 3:45 P	CC	1500	3 9/16 $5343.75	1/16 $93.75	$.4625/sh $693.75
10/26/98 3:45 P	BS	2700	3 9/16 $9618.75	1/16 $168.75	$.375/sh $1012.50
10/27/98	SB	4000	3 9/16 $14,250	1/16 $250	$.3125/sh $1250
10/28/98	JO	1000	3 5/16 $3,312.50	1/8 $125	$.375/sh $375
10/28/98	HR	2000	3 1/4 $6500	1/8 $250	$.375/sh $750
10/30/98	GR	2000	3 1/2 $7000	1/8 $250	$.375/sh $750
11/3/98	GU	2500	3 3/16 $7968.75	0	$.25/sh $625
11/3/98	GU	2500	3 3/8 $8437.50	1/8 $312.50	$.25/sh $625
11/5/98 1:36 P	HR	1000	3 13/16 $3812.50	1/8 $125	$.50/sh $500
11/5/98 2:18 P	HB	1800	3 3/4 $6750	1/16 $112.50	$.50/sh $900
11/6/98	LE	4800	3 23/32 $17,850	0	$.50/sh $2400
11/6/98	BI	10,000	3 27/32 $38,437.50	1/8 $1250	$.50/sh $5000
11/11/98	HA	5000	3 21/32 $18,281.25	1/32 $156.25	$.50/sh $2500
11/12/98	GA	2000	3 21/32 $7312.50	0	$.50/sh $1000
11/12/98	MC	10,000	3.6975 $36,975	.01 $100	$.50/sh $5000
11/12/98	GU	4000	3.7075 $14,830	.02 $80	$.50/sh $2000
11/17/98	EN	1000	3 9/16 $3562.50	0	$.50/sh $500
11/18/98	GU	2700	3 1/2 $9450	1/16 $168.75	$.50/sh $1350[4]

4 The total gross sales incentive earned from 10/16/98 through 11/18/98 is $32,968.75.

Trade Date	Customer	# Shares	Exec. Price	Mark-up	Gross Sales Incentive
11/20/98	TA	5000	3 15/32 $17,343.75	1/16 $312.50	$.50/sh $2500
12/1/98	AL	10,000	3 5/16 $33,125	1/16 $625	$.50/sh $5000
12/2/98	GA	3500	3 17/32 $12,359.37	1/32 $109.37	$.50/sh $1750
12/3/98	GA	1000	3 1/2 $3500	1/8 $125	$.50/sh $500
12/3/98	CA	1000	3 7/16 $3437.50	1/16 $62.50	$.50/sh $500
12/9/98	MA	2000	3 5/16 $6625	1/32 $62.50	$.50/sh $1000
12/9/98	BL & KL	20,000	3 1/4 $65,000	1/32 $625	$.50/sh $10,000
12/10/98	GU	1000	4 1/8 $4125	1/8 $125	$.50/sh $500
12/10/98 11:29 A	MC	10,000	4 1/16 $40,625	1/16 $625	$.5625/sh $5625
12/10/98 11:45 A	BL & KL	15,000	4 3/16 $62,812.50	1/16 $937.50	$.50/sh $7500
12/10/98 1:25 P	BI	10,000	4 $40,000	0	$.50/sh $5000
12/11/98	JR & GR	1000	4 1/16 $4062.60	1/16 $62.60	$.50/sh $500
12/15/98	CH	1000	4 3/16 $4,187.50	1/16 $62.50	$.50/sh $500
12/15/98	SB	2000	3 15/16 $7875	1/16 $125	$.50/sh $1000
12/16/98	RM	1000	3 29/32 $3906.25	1/32 $31.25	$.50/sh $500
12/18/98	DC & CC DC[5]	1500	3 31/32 $5953.12	1/32 $46.87	$.50/sh $750
12/22/98	HR	5000	3 19/32 $17,968.75	1/32 $156.25	$.50/sh $2500
12/23/98 10:15 A	AL	2500	3 21/32 $9140.62	1/32 $78.12	$.375/sh $937.50
12/23/98 2:21 P	BL & KL	15,000	3 9/16 $53,437.50	1/16 $937.50	$.625/sh $9375
12/29/98	PE	1000	4 1/16 $4062.50	1/8 $125	$.50/sh $500
1/6/99	HR	2000	3 5/8 $7250	0	$.50/sh $1000
1/7/99	CH	2000	3 13/16 $7625	1/16 $125	$.50/sh $1000[6]

5 This trade was originally entered in the DC and CC joint account. It was rebilled to the DC individual account on an as-of basis at the same execution price, mark-up, and sales incentive.

6 The total gross sales incentive earned from 11/20/98 through 1/7/99 (customer CH) is $58,437.50.

Trade Date	Customer	# Shares	Exec. Price	Mark-up	Gross Sales Incentive
1/7/99	MA	2000	3 11/16 $7375	1/16 $125	$.50/sh $1000
1/7/99	RM	1000	3 11/16 $3687.50	1/16 $62.50	$.50/sh $500
1/8/99	RM	3000	3 29/32 $11,718.75	1/32 $93.75	$.50/sh $1500
1/11/99	JI & JI	2000	4 1/16 $8125	1/16 $125	$.50/sh $1000
1/11/99	VE	1000	4 $4000	1/16 $62.50	$.50/sh $500
1/11/99	AL	2500	4 3/16 $10,468.75	1/16 $156.25	$.50/sh $1250
1/12/99	GB	4500	4 9/32 $19,265.62	1/16 $281.25	$.50/sh $2250
1/14/99	MI	1500	4 1/8 $6187.50	1/16 $93/75	$.50/sh $750
1/19/99	JPP	3000	4 1/16 $12,187.50	1/16 $187.50	$.50/sh $1500
1/20/99	JPP	7000	4 7/16 $31,062.50	1/16 $437.50	$.50/sh $3500
1/20/99	JO	4000	4 17/32 $18,125	1/32 $125	$.50/sh $2000
1/20/99	WI	3500	4 9/16 $15,968.75	1/16 $218.75	$.50/sh $1750
1/21/99	SH	2000	4 25/32 $9562.50	1/16 $125	$.50/sh $1000
1/21/99	JI & JI	1000	4 13/16 $4812.50	1/8 $125	$.50/sh $600
1/22/99	CC	2000	4 1/2 $9000	1/16 $125	$.50/sh $1000
1/25/99	SB	2500	4 1/8 $10,312.50	1/16 $156.25	$.50/sh $1250
1/25/99	MA	2000	4 3/16 $8375	1/16 $125	$.50/sh $1000
1/26/99	RO	2000	4 5/32 $8312.50	1/32 $62.50	$.50/sh $1000
1/26/99	JPP	6600	4 13/32 $29,081.25	1/32 $206.25	$.50/sh $3300
1/28/99	JR & GR	1500	4 11/32 $6515.62	1/32 $46.87	$.50/sh $750
1/28/99	MC	5000	4 1/2 $22,500	1/16 $312.50	$.50/sh $2500
1/29/99	MB	1200	4 1/4 $5100	1/16 $75	$.50/sh $600
1/29/99	JS	5000	4 3/16 $20,937.50	0	$.50/sh $2500[7]

[7] The total gross sales incentive earned from 1/7/99 (customer MA) through 1/29/99 is $33,000.

Trade Date	Customer	# Shares	Exec. Price	Mark-up	Gross Sales Incentive
2/1/99	FR	3000	4 7/32 $12,656.25	1/32 $93.75	$.50/sh $1500
2/1/99	LY	2000	4 1/4 $8500	1/16 $125	$.50/sh $1000
2/2/99	JK	2000	4 5/32 $8312.50	1/32 $62.50	$.50/sh $1000
2/2/99	JD & PD	1000	4 1/4 $4250	1/16 $62.50	$.50/sh $500
2/2/99	TR	1500	4 3/32 $6140.62	1/32 $46.87	$.50/sh $750
2/3/99	BO	2000	4 1/16 $8125	1/16 $125	$.50/sh $1000
2/3/99	EN	1000	4 1/8 $4125	0	$.50/sh $500
2/3/99	ST	1000	4 3/16 $4187.50	1/16 $62.50	$.50/sh $500
2/10/99	JO	1000	4 $4000	1/16 $62.50	$.50/sh $500
2/17/99	MC	10,000	3 11/16 $36,875	0	$.50/sh $5000
2/23/99	KM	10,000	3 15/16 $39,375	0	$.50/sh $5000
2/23/99	FR	2000	4 $8000	1/16 $125	$.50/sh $1000
3/1/99	GA	2000	4 3/32 $8187.50	3/32 $187.50	$.50/sh $1000
3/2/99	BL & KL	10,000	4 1/32 $40,312.50	3/32 $937.50	$.50/sh $5000
3/5/99	GA	2000	4 1/8 $8250	1/16 $125	$.50/sh $1000
3/5/99	KM	20,000	4 3/32 $81,875	1/32 $625	$.50/sh $10,000
3/9/99	SB	5500	4 5/8 $25,437.50	1/8 $687.50	$.50/sh $2750
3/9/99	KM	12,500	4 11/16 $58,593.75	1/16 $781.25	$.50/sh $6250
3/9/99	GA	1650	4 5/16 $7115.63	1/16 $103.13	$.50/sh $825
3/9/99	MC	10,000	5 25/32 $57,812.50	1/8 $1250	$.50/sh $5000
3/9/99[8]	FR	2000	5 5/8 $11,250	1/16 $125	$.50/sh $1000
3/10/99 9:40 A	BI	1000	5 5/8 $5625	1/16 $62.50	$.625/sh $625[9]

8 The trade date handwritten on the ticket is "10/9/99" but both of the time stamps and the price per share indicate that the order was received and executed on *March* 9, 1999, not October 9.

9 The total gross sales incentive earned from 2/1/99 through 3/10/99 (customer BI) is $51,700.

Trade Date	Customer	# Shares	Exec. Price	Mark-up	Gross Sales Incentive
3/10/99 9:41 A	MH	1000	5 9/16 $5562.50	0	$.625/sh $625
3/10/99 9:54 A	KA	25,000	5 3/4 $143,750	1/8 $3125	$.50/sh $12,500
3/10/99	MC	30,000	5.6108 $168,324	1/8 $3750	$.50/sh $15,000
3/11/99	EN	1000	5 5/16 $5312.50	0	$.50/sh $500
3/11/99	HK & EK	200	5 7/16 $1087.50	¼ $50	$.50/sh $100
3/16/99	MH	1000	5 5/16 $5312.50	1/16 $62.50	$.50/sh $500
3/18/99	KE [KE – trade correction	5000 *2000*	4 27/32 $24,218.75 *4/27/32* *$9687.50*	1/16 $312.50 *1/16* *$125*	$.50/sh $2500 *$.50/sh* *$1000]*
3/18/99	RT & PT	1000	4 25/32 $4781.25	1/8 $125	$.50/sh $500
3/18/99	DL	1000	4 29/32 $4906.25	1/16 $62.50	$.50/sh $500
3/19/99	CC	3500	4 21/32 $16,296.88	1/32 $109.38	$.50/sh $1750
3/22/99	SB	5000	4 19/32 $22,968.75	3/32 $468.75	$.50/sh $2500
3/22/99	DC & CC	1500	4 9/16 $6843.75	1/16 $93.75	$.50/sh $750
3/26/99	AH	3250	4 5/16 $14,015.62	1/16 $203.12	$.50/sh $1625
3/26/99	CH	2000	4 9/16 $9125	1/16 $125	$.50/sh $1000
3/30/99	GU [GU – trade correction	1000 *970*	4 19/32 $4593.75 *4.593* *$4455.21*	3/32 $93.75 *3/32* *$90.9375*	$.50/sh $500 *$.50/sh* *$485]*
3/30/99	BA	14,000	4 17/32 $63,437.50	1/32 $437.50	$.50/sh $7000
3/31/99	SB	1000	4 7/16 $4437.50	1/8 $125	$.50/sh $500
4/1/99	KM & CM	7500	4 9/16 $34,218.75	1/16 $468.75	$.50/sh $3750
4/1/99	BL & KL	10,000	4 9/16 $45,625	1/16 $625	$.50/sh $5000
4/1/99	JS	5000	4 19/32 $22,968.75	1/32 $156.25	$.50/sh $2500
4/1/99	SB	4000	4 9/16 $18,250	1/16 $250	$.50/sh $2000[10]

[10] The total gross sales incentive earned from 3/10/99 (customer MH) through 4/1/99 is $60,085.

Trade Date	Customer	# Shares	Exec. Price	Mark-up	Gross Sales Incentive
4/5/99	ZV	1500	4 9/32 $6,421.87	1/32 $46.87	$.50/sh $750
4/6/99	DC & CC	2500	4 3/32 $10,234.37	1/32 $78.12	$.50/sh $1250
4/7/99	DL	4000	4 3/32 $16,375	1/32 $125	$.50/sh $2000
4/7/99	RO	500	4 5/32 $2078.12	1/8 $62.50	$.50/sh $250
4/7/99	LY	1000	4 7/32 $4218.75	1/8 $125	$.50/sh $500
4/9/99	BL & KL	10,000	4 5/32 $41,562.50	1/16 $625	$.50/sh $5000
4/9/99	BO	2500	4 3/32 $10,234.37	1/16 $156.25	$.50/sh $1250
4/12/99	TA	3500	4 1/8 $14,437.50	1/16 $218.75	$.50/sh $1750
4/13/99	KU	1000	4 9/32 $4281.25	3/32 $93.75	$.50/sh $500
4/15/99	BO	10,000	4 $40,000	1/16 $625	$.50/sh $5000
4/15/99	AL	1500	4 1/8 $6187.50	3/32 $140.62	$.50/sh $750
4/15/99	GB	3000	4 3/32 $12,281.25	1/16 $187.50	$.50/sh $1500
4/19/99	LY	5000	4 $20,000	1/16 $312.50	$.4375/sh $2187.50
4/22/99	PH	2500	4 3/32 $10,234.37	1/32 $78.12	$.50/sh $1250
4/23/99	KM & CM	5000	3 29/32 $19,531.25	0	$.50/sh $2500
4/28/99	TA	2500	3 15/16 $9843.75	1/16 $156.25	$.50/sh $1250
4/28/99	DI	2000	3 15/16 $7875	1/16 $125	$.50/sh $1000
5/4/99	KH	2000	3 31/32 $7932.50	1/16 $125	$.50/sh $1000
5/5/99	CT	6000	3 9/16 $21,375	1/32 $187.50	$.50/sh $3000
5/5/99	JJ	2000	3 15/16 $7875	1/16 $125	$.50/sh $1000
5/5/99	CH	2000	3 21/32 $7312.50	3/32 $187.50	$.50/sh $1000
5/11/99	SB	8000	3 9/16 $28,500	1/32 $250	$.50/sh $4000
5/13/99	DL	2500	3 1/2 $8750	1/32 $78.12	$.50/sh $1250[11]

[11] The total gross sales incentive earned from 4/5/99 through 5/13/99 is $39,937.50.

Trade Date	Customer	# Shares	Exec. Price	Mark-up	Gross Sales Incentive
5/13/99	GU	1300	3 1/2 $4550	1/32 $40.62	$.50/sh $650
5/14/99	TW	10,000	3 1/2 $35,000	1/32 $312.50	$.50/sh $5000
5/14/99	LY	5000	3 17/32 $17,656.25	1/16 $312.50	$.50/sh $2500
5/18/99	GA	2500	3 19/32 $8984.37	1/8 $312.50	$.50/sh $1250
5/18/99	FR	3000	3 1/2 $10,500	1/32 $93.75	$.50/sh $1500
5/19/99	AL	3500	3 17/32 $10,593.75	1/16 $218.75	$.50/sh $1750
5/19/99	MS	1000	3 19/32 $3593.75	1/8 $125	$.50/sh $500
5/19/99	WH	1000	3 17/32 $3531.25	1/32 $31.25	$.50/sh $500
5/20/99	AR	5000	3 21/32 $2656.25	1/32 $156.25	$.50/sh $2500
5/21/99	JS	5000	3 17/32 $17,656.25	1/32 $156.25	$.50/sh $2500
5/25/99	SB	2500	3 3/8 $8437.50	0	$.50/sh $1250
6/8/99	UE	5000	3.9875 $19,937.50	1/8 $625	$.50/sh $2500
6/8/99	RD	2000	4 1/16 $8125	1/16 $125	$.50/sh $1000
6/9/99	TW	5000	4.134375 $20,671.87	1/16 $312.50	$.50/sh $2500
6/9/99	SM	5000	4.158125 $20,790.62	1/16 $312.50	$.50/sh $2500
6/9/99	BO	5000	4 1/8 $20,625	1/16 $312.50	$.50/sh $2500
6/10/99	DO	1000	4 1/16 $4062.50	1/16 $62.50	$.50/sh $500
6/10/99	WH	1000	4 1/32 $4031.25	1/32 $31.25	$.50/sh $500
6/10/99	UE	5000	4 3/16 $312.50	1/16 $312.59	$.50/sh $2500
6/10/99	AR	1000	4.02075 $4020.75	3/32 $93.75	$.50/sh $500
6/11/99	HR	1500	4 1/16 $6093.75	1/16 $93.75	$.50/sh $750
6/15/99	HR	1500	3 3/4 $5625	1/16 $93.75	$.50/sh $750
6/15/99	FR	5000	3.825 $19,125	1/16 $312.50	$.50/sh $2500[12]

[12] The total gross sales incentive earned from 5/13/99 through 6/15/99 is $38,900.

Trade Date	Customer	# Shares	Exec. Price	Mark-up	Gross Sales Incentive
6/16/99	KM	4500	4.26945 $19,212.52	1/32 $140.62	$.50/sh $2250
6/16/99	GW *[GW – trade correction*	5000 *4000*	4 3/16 $20,937.50 *4 3/16* *$16,750*	1/16 $312.50 *1/16* *$250*	$.50/sh $2500 *$.50/sh* *$2000]*
6/17/99	RO	3500	4.0535 $14,187.25	1/16 $218.75	$.50/sh $1750
7/1/99 9:52 A	TW	5000	3 9/32 $16,406.25	1/32 $156.25	$.28125/sh $1406.25
7/1/99 10:09 A	JS & BS	1500	3 19/32 $5390.62	1/16 $93.75	$.3125/sh $468.75
7/1/99 11:39 A	GW	2500	3 19/32 $8984.37	1/16 $156.25	$.3125/sh $781.25
7/2/99	SS & DS	2500	3 5/8 $9062.50	1/16 $156.25	$.3125/sh $781.25
7/8/99	PO	1000	3 13/32 $3406.25	3/32 $93.75	$.34375/sh $343.75
7/9/99	BO	12,500	3.615 $45,187.50	1/8 $1562.50	$.375/sh $4687.50
7/9/99	AR	4000	3.565625 $14,262.50	1/8 $500	$.375/sh $1500
7/14/99	SS & DS	2500	3.70625 $9265.62	3/32 $234.37	$.34375/sh $859.38
7/16/99	UE	5,000	3.72188 $18,609.40	1/8 $625	$.375/sh $1875
7/16/99	AL	2500	3 5/8 $9062.50	1/8 $312.50	$.375/sh $937.50
7/21/99	AL	2500	3 1/2 $8750	1/8 $312.50	$.375/sh $937.50
7/22/99	BU	10,000	3 9/16 $35,625	1/8 $1250	$.375/sh $3750
7/29/99	MI	2000	3 3/8 $6750	1/8 $250	$.25/sh $500
8/2/99	KM	14,000	3.31 $46,340	1/8 $1750	$.25/sh $3500
8/5/99	CA	2000	3 7/32 $6437.50	1/8 $250	$.25/sh $500
8/5/99	CA	2000	3 7/32 $6437.50	1/8 $250	$.25/sh $500
8/6/99	MHB	2500	3 1/4 $8125	1/8 $312.50	$.25/sh $625
8/6/99	KH	2500	3 1/4 $8125	1/8 $312.50	$.25/sh $625[13]

[13] The total gross sales incentive earned from 6/16/99 through 8/6/99 (customer KH) is $30,578.13.

Trade Date	Customer	# Shares	Exec. Price	Mark-up	Gross Sales Incentive
8/6/99	CO	5000	3 1/8 $15,625	0	Tkt: $.375/sh $1875 Actual Incentive Paid: $.25/sh $1250
8/10/99	KA	1000	3 3/16 $3187.50	1/16 $62.50	$.25/sh $250
8/11/99	WI	10,000	3.225625 $32,256.25	1/8 $1250	$.25/sh $2500
8/12/99	WI	5000	3 5/32 $15,781.25	1/32 $156.25	$.25/sh $1250
8/12/99	AD	10,000	3 1/16 $30,625	1/32 $312.50	$.25/sh $2500
8/13/99	TR	1000	3 5/32 $3156.25	1/8 $125	$.25/sh $250
8/18/99	AD	5000	3 19/32 $17,968.75	3/32 $468.75	$.25/sh $1250
8/19/99	RD	1000	3 15/32 $3468.75	1/8 $125	$.25/sh $250
8/20/99	FR	5000	3 1/2 $17,500	1/8 $625	$.25/sh $1250
8/23/99	HA	2000	3 7/16 $6855	1/8 $250	$.25/sh $500
8/24/99	AL	3000	3 9/16 $10,687.50	1/8 $375	$.25/sh $750
8/24/99	BO	10,000	3 7/16 $34,375	1/8 $1250	$.25/sh $2500
9/14/99	KM	10,000	2.94375 $29,437.50	1/8 $1250	$.25/sh $2500
9/15/99	KM	15,000	3.091 $46,365	1/8 $1875	$.25/sh $3750
9/15/99	SB	2000	2 7/8 $5750	1/8 $250	$.25/sh $500
9/15/99	KM	6000	2.955 $17,730	1/8 $750	$.25/sh $1500
9/15/99	LY	2500	3.05 $7625	1/8 $312.50	$.25/sh $625
9/16/99	MA	6500	3 $19,500	1/16 $406.25	$.25/sh $1625
9/16/99	BO	40,000	2.93242 $117,296.80	1/8 $5000	$.25/sh $10,000
9/21/99	BO	20,000	3.013 $60,260	1/8 $2500	$.25/sh $5000
9/21/99	HA	3000	2 29/32 $8718.75	3/32 $281.25	$.25/sh $750[14]

[14] The total gross sales incentive earned from 8/6/99 (customer CO) through 9/21/99 (customer HA) is $40,750.

Trade Date	Customer	# Shares	Exec. Price	Mark-up	Gross Sales Incentive
9/21/99	SB	2000	2 29/32 $5812.50	1/32 $62.50	$.25/sh $500
9/21/99	MA	1000	2 29/32 $2906.25	1/32 $31.25	$.25/sh $250
10/4/99	PH	2000	2 15/16 $5875	1/8 $250	$.25/sh $500
10/20/99	BO	25,000	2.535 $63,375	3/32 $2343.75	$.25/sh $6250
10/20/99	BU	25,000	2.65 $66,250	0	$.25/sh $6250
10/21/99	PH	5000	2.80 $14,000	3/32 $468.75	$.25/sh $1250
10/25/99	BO	25,000	2.95125 $73,781.25	3/32 $2343.75	$.25/sh $6250
11/18/99	HO	4000	2 9/16 $10,250	3/32 $375	$.25/sh $1000[15]
Cumulative Total Gross Sales Incentive:					$427,915.13
Estimated Net Sales Incentive Paid to Meyers:					$213,957.56[16]

15 The total gross sales incentive earned from 9/21/99 (customer SB) through 11/18/99 is $22,250.

16 We estimated the amount of Meyers's net sales incentive by multiplying the gross sales incentive earned ($427,915.13) by .50 because the record demonstrated that Meyers and Klein typically received 50 percent of the gross sales incentive on their retail sales of Natural Health Trends stock.

Appendix 2

NATURAL HEALTH TRENDS PURCHASES IN CUSTOMER ACCOUNTS OF BRIAN KLEIN
<u>OCTOBER 1, 1998 –OCTOBER 26, 1999</u>

Trade Date[1]	Customer	# Shares	Exec. Price	Mark-up	Gross Sales Incentive
10/8/98	GG[2]	1500	2 11/32 $3515.62	3/32 $140.62	$.125/sh $187.50
10/8/98	GL	500	2 11/32 $1171.87	3/32 $46.87	$.125/sh $62.50
10/8/98	TR	1000	2 11/32 $2343.75	3/32 $93.75	$.125/sh $125
10/9/98 1:42 P	CM & EM	1000	2 19/32 $2593.75	3/32 $93.75	$.14625/sh $146.25
10/9/98 1:42 P	BL	3000	2 19/32 $7781.25	3/32 $281.25	$.14625/sh $438.75
10/9/98 1:42 P	JL	2000	2 19/32 $5187.50	3/32 $187.50	$.14625/sh $292.50
10/9/98 3:20 P	GU	3000	2 13/16 $8437.50	3/32 $281.25	$.15625/sh $468.75
10/9/98 3:20 P	AR *[AR- trade correction*	2000 *800*	2 13/16 $5625 *2 13/16* *$2250*	3/32 $187.50 *3/32* *$75*	$.15625/sh $312.50 *$.15625/sh* *$125]*
10/9/98 3:28 P	JO	1000	2 11/16 $2687.50	3/32 $93.75	$.15625/sh $156.25
10/15/98	GL	1000	3 17/32 $3531.25	5/32 $156.25	$.202/sh $202
10/15/98	WI	2000	3 17/32 $7062.50	5/32 $312.50	$.20195/sh $403.90
10/15/99	JO	4000	3 17/32 $14,125	5/32 $625	$.202/sh $808
10/16/99 9:40 A	TN & SN	2500	3 7/16 $8593.75	1/16 $156.25	$.2025/sh $596.25
10/16/98 12:27 P	LO	2000	3 15/32 $6937.50	5/32 $312.50	$.19875/sh $397.50
10/16/99 12:27 P	FG	2000	3 15/32 $6937.50	5/32 $312.50	$.19875/sh $397.50
10/16/99 12:27 P	ER	1500	3 15/32 $5203.12	5/32 $234.37	$.19875/sh $298.13
10/19/98	MM	2500	3 17/32 $8828.12	5/32 $390.62	<u>Tkt</u>: $.375/sh $937.50 <u>Actual Incentive Paid</u>: $.25/sh $625[3]

1 Time of execution also indicated where compensation varied within a trading day.

2 Customers' names have been abbreviated. In cases in which no first name is available in the record, the first two letters of a customer's last name have been used.

3 The total gross sales incentive earned from 10/8/98 through 10/19/98 is $5,730.78.

Trade Date	Customer	# Shares	Exec. Price	Mark-up	Gross Sales Incentive
10/20/98	GT & BT	1000	3 3/8 $3375	1/8 $125	Tkt: $.375/sh $375 Actual Incentive Paid: $.25/sh $250
10/21/98	BL	1000	3 5/16 $3125	1/8 $125	Tkt: $.375/sh $375 Actual Incentive Paid: $.25/sh $250
10/21/98	JL	8000	3 5/16 $26,500	1/8 $1000	Tkt: $.375/sh $3000 Actual Incentive Paid: $.25/sh $2000
10/23/98	JL	3000	3 1/2 $10,500	1/8 $375	Tkt: $.375/sh $1125 Actual Incentive Paid: $.25/sh $750
10/23/98	GA	2000	3 17/32 $7062.50	1/8 $250	Tkt: $.375/sh $750 Actual Incentive Paid: $.25/sh $500
10/26/98	VM & KM	3000	3 13/32 $10,218.75	1/8 $375`	$.375/sh $1125
10/27/98	RO	2000	3 3/4 $7500	1/8 $250	$.375/sh $750
10/27/98	MM	2500	3 1/4 $8125	1/8 $312.50	$.375/sh $937.50
10/29/98	ER	1500	3 11/16 $5531.25	1/8 $187.50	$.375/sh $562.50
11/5/98	TC	2000	3 13/16 $7625	1/8 $250	$.50/sh $1000
11/5/98	VM & KM	7000	3 3/4 $26,250	1/8 $875	$.50/sh $3500
11/5/98	JL	10,000	3 3/4 $37,500	1/8 $1250	$.50/sh $5000
11/5/98	WI	3000	3 7/8 $11,625	1/8 $375	$.50/sh $1500
11/5/98	RO	4000	3 7/8 $15,500	1/8 $500	$.50/sh $2000
11/5/98	ER	3000	3 13/16 $11,437.50	1/8 $375	$.50/sh $1500
11/5/98	MM	5000	3 3/4 $18,750	1/8 $625	$.50/sh $2500
11/5/98	LO	5000	3 3/4 $18,750	1/8 $625	$.50/sh $2500[4]

[4] The total gross sales incentive earned from 10/20/98 through 11/5/98 is $26,625.

Trade Date	Customer	# Shares	Exec. Price	Mark-up	Gross Sales Incentive
11/10/98	RD	3000	3 5/8 $11,250	1/8 $375	$.50/sh $1500
11/12/98 10.39 A	SM & EM	3000	3 13/16 $11,437.50	1/8 $187.50	$.50/sh $1500
11/12/98 10:58 A	WW	5000	3 13/16 $19,062.50	1/8 $625	$.50/sh $2500
11/12/98 11:38 A	BA	1500	3 13/16 $5718.25	1/8 $187.50	$.50/sh $750
11/12/98 2:40 P	MM	10,000	3 13/16 $38,125	1/8 $1250	$.50/sh $5000
11/12/98 3:37 P	DH	2000	3 25/32 $7562.50	1/8 $250	$.50/sh $1000
11/13/98	AR *[AR- trade correction*	2200 *700*	3 3/4 $8250 *3 3/4* *$2625*	1/8 $276 *1/8* *$87.50*	$.50/sh $1100 *$.50/sh* *$350]*
11/18/99	ER	1500	3 15/32 $5203.12	1/8 $187.50	$.50/sh $750
11/19/98	KO	3000	3 7/16 $10,312.50	1/6 $375	$.625/sh $1875
11/19/98	LO	7500	3 7/15 $25,781.25	1/8 $937.50	$.625/sh $4687.50
11/23/98	DU	3000	3 11/16 $11,062.50	1/8 $375	$.50/sh $1500
11/23/99	RM	2500	3 9/16 $8906.25	1/8 $312.50	$.50/sh $1250
11/25/98	RO	1000	3 11/32 $3343.75	1/8 $125	$.50/sh $500
11/27/98	MM	7500	3 5/16 $24,843.75	3/32 $703.12	$.50/sh $3750
11/30/98	CH	2000	3 3/8 $6750	1/8 $250	$.50/sh $1000
12/1/98	PA	5000	3 3/8 $16,875	1/8 $625	$.50/sh $2500
12/1/98	EK	500	3 5/16 $1656.25	1/16 $31.25	$.50/sh $250
12/1/98	PS & SS	2500	3 3/8 $8537.50	1/8 $312.50	$.50/sh $1250
12/2/98 9:46 A	DU	7000	3 3/8 $23,625	1/8 $875	<u>Tkt</u>: $.6785/sh $4750 <u>Actual Incentive Paid</u>: $.625/sh $4375
12/2/98 9:46 A	TR	1000	3 3/8 $3375	1/8 $125	$.625/sh $625
12/2/98 9:46 A	KJ	2000	3 3/8 $6750	1/8 $250	$.625/sh $1250
12/10/98	GT & BT	2000	4 1/16 $8125	1/8 $250	$.50/sh $1000[5]

5 The total gross sales incentive earned from 11/10/98 through 12/10/98 (joint customers GT & BT) is $39,162.50.

Trade Date	Customer	# Shares	Exec. Price	Mark-up	Gross Sales Incentive
12/10/98	LO	7500	3 5/8 $27,187.50	1/8 $937.50	$.50/sh $3750
12/10/98	MM	10,000	3 3/4 $37,500	1/8 $1250	$.50/sh $5000
12/10/98	SF	4000	4 1/8 $16,500	1/8 $500	$.50/sh $2000
12/22/98	CM & EM	2000	3 3/4 $7500	1/8 $250	$.50/sh $1000
12/22/98	BL	2000	3 3/4 $7500	1/8 $250	$.50/sh $1000
12/23/98 9:41 A	MM	12,500	3 9/16 $44,531.25	1/16 $781.25	$.50/sh $6250
12/23/98 2:21 P	PS & SS	2500	3 5/8 $9062.50	1/8 $312.50	$.625/sh $1562.50
12/23/98 2:28 P	VM & KM	2500	3 9/16 $8906.25	1/16 $156.50	$.625/sh $1562.50
12/23/98 3:35 P	KM	2000	3 5/8 $7250	1/8 $250	$.625/sh $1250
12/28/98	SB	1000	4 1/8 $4125	1/8 $125	$.50/sh $500
1/11/99	VK	5000	4 1/8 $20,625	1/8 $625	$.50/sh $2500
1/11/99	JL	16,000	4 $64,000	1/8 $2000	$.50/sh $8,000
1/11/99	SB	2500	4 1/8 $10,312.50	1/8 $312.50	$.50/sh $1250
1/11/99	CH	5000	4 1/4 $21,250	1/8 $625	$.50/sh $2500
1/15/99	RI	6500	4 3/16 $27,218.75	1/8 $812.50	$.50/sh $3250
1/20/99 10:53 A	JL	15,000	4 3/8 $65,625	1/8 $1875	$.3125/sh $4687.50
1/20/99 12:00 P	MM	50,000	4 5/8 $231,250	1/8 $6250	$.50/sh $25,000
1/20/99 2:17 P	DU	5000	4 5/8 $23,125	1/8 $625	$.50/sh $2500
1/20/99	DH	5000	4 5/8 $23,125	1/8 $625	$.50/sh $2500
1/20/99	RT	1000	4 3/4 $4750	1/8 $125	$.50/sh $500
1/21/99	VK	5000	4 3/4 $23,750	1/8 $625	$.50/sh $2500
1/21/99	PS & SS	1000	4 27/32 $4843.75	1/8 $125	$.50/sh $500
1/22/99	DH *[DH – trade correction*	3000 *2000*	4 5/8 $13,875 *4 5/8* *$9250*	1/8 $375 *1/8* *$250*	$.50/sh $1500 *$.50/sh* *$1000]*
1/22/99	TC	3000	4 5/8 $13,875	1/8 $375	$.50/sh $1500[6]

[6] The total gross sales incentive earned from 12/10/98 (customer LO) through 1/22/99 is $82,062.50.

Trade Date	Customer	# Shares	Exec. Price	Mark-up	Gross Sales Incentive
1/28/99	MC	2000	4 5/16 $8625	1/8 $250	$.50/sh $1000
2/23/99	TN & SN	2500	4 1/16 $10,156.25	1/8 $312.50	$.50/sh $1250
2/23/99	JL	10,000	4 1/6 $40,625	1/8 $1250	$.50/sh $5000
2/23/99	CH	5000	4 1/8 $20,625	3/16 $937.50	$.50/sh $2500
2/24/99	JC	5000	4 3/32 $20,468.75	1/8 $625	$.50/sh $2500
3/2/99	JC	5000	4 1/16 $20,312.50	1/8 $625	$.50 $2500
3/5/99	SC	1500	4 3/32 $6,140.62	1/16 $93.75	$.50/sh $750
3/5/99	AR	2500	4 1/8 $10,312.50	1/16 $156.25	$.50 $1250
3/5/99	WI	1500	4 1/16 $6093.75	1/8 $187.50	$.50 $750
3/8/99	CH	5000	4 3/32 $20,468.75	3/32 $468.75	$.50 $2500
3/9/99 10:29 P	JC	5000	4 19/32 $22,968.75	3/32 $468.75	$.50 $2500
3/9/99 10:43 A	AR	10,000	4 3/4 $47,500	1/8 $1250	$.50/sh $5000
3/9/99 11:30 A	RT	3000	5 25/32 $17,343.75	1/8 $375	$.50/sh $1500
3/9/99 11:51 A	KO	2000	5 3/4 $11,500	1/8 $250	$.50/sh $1000
3/9/99 1:32 P	TN & SN	2500	5 5/8 $14,062.50	1/8 $312.50	$.625/sh $1562.50
3/9/99 2:53 P	GL	1500	5 1/2 $8250	1/8 $187.50	$.625/sh $937.50
3/9/99 3:39 P	MT	2500	5 3/8 $13,437.50	1/8 $312.50	$.625/sh $1562.50
3/10/99 9:42 A	MM	25,000	5 3/4 $143,750	1/8 $3125	$.625/sh $15,625
3/10/99 11:13 A	BL	1500	5 3/16 $7781.25	1/8 $187.50	$.50/sh $750
3/10/99	NA	1000	5 17/32 $5531.25	3/32 $93.75	$.50/sh $500
3/10/99 3:57 P	ER	2000	5 5/16 $10,625	1/8 $250	$.50/sh $1000
3/16/99	JC	5000	5 1/4 $26,250	1/8 $625	$.50/sh $2500
3/17/99	TN & SN	2000	5 1/32 $10,062.50	1/8 $250	$.50/sh $1000
3/18/99	MD	2500	4 25/32 $11,593.12	1/8 $312.50	$.50/sh $1250
3/18/99	FA	2000	4 29/32 $9812.50	1/8 $250	$.50/sh $1000[7]

[7] The total gross sales incentive earned from 1/28/99 through 3/18/99 is $57,687.50.

Trade Date	Customer	# Shares	Exec. Price	Mark-up	Gross Sales Incentive
3/19/99	DC	1000	4 13/16 $4812.50	1/8 $125	$.50/sh $500
3/26/99	KI	2000	4 1/4 $8500	1/8 $250	$.50/sh $1000
3/26/99	RM	2500	4 5/8 $11,562.50	1/8 $312.50	$.50/sh $1250
3/29/99	TR	3000	4 19/32 $13,781.25	1/8 $375	$.50/sh $1500
4/1/99	SC	1500	4 9/16 $6843.75	1/8 $187.50	$.50/sh $750
4/1/99	GT & BT	2000	4 5/8 $9250	1/8 $250	$.50/sh $1000
4/1/99	JC	5000	4 5/8 $23,125	1/8 $625	$.50/sh $2500
4/1/99	WE	1500	4 19/32 $6890.62	1/8 $187.50	$.50/sh $750
4/1/99	CH	3000	4 19/32 $13,781.25	1/8 $375	$.50/sh $1500
4/1/99	JL	5000	4 5/8 $23,125	1/8 $625	$.50/sh $2500
4/1/99	AR	2500	4 9/16 $11,406.25	1/8 $312.50	$.50/sh $1250
4/1/99	TN & SN	2500	4 9/16 $11,406.25	1/8 $312.50	$.50/sh $1250
4/5/99	VK	5000	4 15/32 $22,343.75	1/8 $625	$.50/sh $2500
4/5/99	DE	2500	4 3/16 $10,468.75	1/8 $312.50	$.50/sh $1250
4/5/99	BL	1500	4 7/32 $6328.12	1/8 $187.50	$.50/sh $750
4/6/99	*JN & SN*	2000	4 3/16 $8375	1/8 $250	$.50/sh $1000
4/6/99	SB	5000	4 15/16 $29,648.43	1/8 $625	$.50/sh $2500
4/7/99	JE	1500	4 7/32 $6328.12	1/8 $187.50	$.50/sh $750
4/7/99	MMA	3000	4 7/32 $12,656.25	1/8 $375	$.50/sh $1500
4/7/99	LO	5000	4 5/32 $20,781.25	1/8 $625	$.50/sh $2500
4/8/99	RT	4000	4 3/16 $16,750	1/8 $500	$.50/sh $2000
4/8/99	EM	2200	4 1/4 $9350	1/8 $275	$.50/sh $1100
4/8/99	MA	2000	4 1/4 $8500	1/8 $250	$.50/sh $1000
4/13/99	RT	2000	4 1/2 $9000	1/8 $250	$.50/sh $1000
4/19/99	*SC*	5000	4 1/16 $20,312.50	1/8 $625	$.50/sh $2500[8]

[8] The total gross sales incentive earned from 3/19/99 through 4/19/99 is $36,100.

Trade Date	Customer	# Shares	Exec. Price	Mark-up	Gross Sales Incentive
4/20/99	OS	2500	3 29/32 $9765.62	0	$.50/sh $1250
5/11/99	JL	10,000	3 21/32 $36,562.50	1/8 $1250	$.50/sh $5000
5/12/99	SC	5000	3 19/32 $17,968.75	1/8 $625	$.50/sh $2500
5/13/99	TY	10,000	3 19/32 $35,937.50	1/8 $1250	$.50/sh $5000
5/18/99	WE	3,500	3 19/32 $12,578.12	1/8 $437.50	$.50/sh $1750
5/18/99	SF	4000	3 19/32 $14,375	1/8 $500	$.50/sh $2000
5/18/99	DI	3000	3 19/32 $10,781.25	1/8 $375	$.50/sh $1500
5/24/99	TN & SN	3000	3 5/8 $10,875	1/8 $375	$.50/sh $1500
5/24/99	VM & KM	5000	3 3/4 $18,750	1/8 $625	$.50/sh $2500
5/24/99	GU	5000	3 9/16 $17,812.50	1/8 $625	$.50/sh $2500
6/7/99	TY	20,000	4.23063 $84,612.60	1/8 $2500	$.50/sh $10,000
6/16/99	TY	20,000	4.35562 $87,112.40	.09375 $1875	$.50/sh $10,000
6/16/99	DC	1000	4 3/8 $4375	1/8 $125	$.50/sh $600
6/18/99	SC	5000	4 1/4 $21,250	1/8 $625	$.50/sh $2500
6/22/99	RR	2000	4 1/4 $8500	1/8 $250	<u>Tkt</u>: $.625/sh $1250 <u>Actual Incentive Paid</u>: $.50/sh $1000
6/22/99	RW	2000	4 1/16 $8125	1/16 $125	$.50/sh $1000
7/1/99	TN & SN	2000	3 5/8 $7250	1/8 $250	$.375/sh $750
7/1/99	JE	3000	3 21/32 $10,968.75	1/8 $375	$.375/sh $1125
7/1/99	SB *[SB IRA- trade correction*	10,000 *10,000*	3.61875 $36,187.50 *3.61875* *$36,187.50*	1/8 $1250 *1/8* *$1250*	$.375/sh $3750 *$.375/sh* *$3750]*
7/2/99	TR	2000	3.678125 $7,356.25	1/8 $250	$.375/sh $750
7/8/99 1:52 P	MD	5000	3.42 $17,100	1/8 $635	$.375/sh $1875
7/8/99 2:33 P	CA	2000	3 5/16 $6,625	1/16 $125	$.3125/sh $625[9]

[9] The total gross sales incentive earned from 4/20/99 through 7/8/99 is $59,475.

Trade Date	Customer	# Shares	Exec. Price	Mark-up	Gross Sales Incentive
7/9/99	SB IRA	3000	3 3/4 $11,250	1/8 $375	$.375/sh $1125
7/9/99	ST	3000	3 5/8 $10,875	1/8 $375	$.375/sh $1125
7/13/99	TC	2000	3.84375 $7,687.50	1/8 $250	$.375/sh $750
7/14/99	ER	7000	3.749 $26,243	1/8 $875	$.375/sh $2625
7/14/99	TR	2000	3 3/4 $7500	1/8 $250	$.375/sh $750
7/21/99	LO	2500	3 1/2 $8750	1/8 $312.50	$.375/sh $937.50
7/22/99	HE	1000	3 5/8 $3625	1/8 $125	$.375/sh $375
7/23/99	RD	4000	3 58 $14,500	1/8 $500	$.375/sh $1500
7/23/99	JN	2500	3 5/8 $9062.50	1/8 $312.50	$.375/sh $937.50
7/26/99	CM & EM	2000	3 7/16 $6875	1/8 $250	$.375/sh $750
7/27/99	RW	3000	3 1/2 $10,500	1/8 $375	$.375/sh $1125
7/30/99	JO	5000	3 1/2 $17,500	1/8 $625	$.25/sh $1250
8/3/99	WH	3500	3 1/4 $11,375	1/8 $437.50	$.25/sh $875
8/6/99	MMA	2500	3 1/4 $8125	1/8 $312.50	$.25/sh $625
8/6/99	BA	1500	3 1/4 $4875	1/8 $187.50	$.25/sh $375
8/6/99	LO	1500	3 1/4 $4875	1/8 $187.50	$.25/sh $375
8/17/99	GT & BT	3000	3 7/16 $10,312.50	1/8 $375	$.25/sh $750
8/19/99	LO	2000	3 15/32 $6937.50	1/8 $250	$.25/sh $500
8/23/99	RM	5000	3 7/16 $17,187.50	1/8 $625	$.25/sh $1250
8/24/99	TC	5000	3 13/32 $17,031.25	1/8 $625	$.25/sh $1250
8/24/99	FC & CC	2000	3 7/16 $6875	1/8 $250	$.25/sh $500
8/24/99	NA	2000	3 7/16 $6875	1/8 $250	$.25/sh $500
9/7/99	DC	3000	3 3/16 $9562.50	1/8 $375	$.25/sh $750
9/13/99	JC & CC	3000	2.9635 $8890.50	1/8 $375	$.25/sh $750
9/14/99	PS & SS	3000	2 7/8 $8685	1/8 $375	$.25/sh $750[10]

10 The total gross sales incentive earned from 7/9/99 through 9/14/99 is $22,500.

Trade Date	Customer	# Shares	Exec. Price	Mark-up	Gross Sales Incentive
9/16/99	AR	25,000	3.2535 $81,337.50	1/8 $3125	$.25/sh $6259
9/17/99	KL	3000	3 1/8 $9375	1/8 $375	$.25/sh $750
9/17/99	HA	1000	2 15/16 $2937.50	1/8 $125	$.25/sh $250
9/21/99	RB	7000	2.925 $20,475	1/8 $875	$.25/sh $1750
10/1/99	MA	2000	2 3/4 $5,500	1/8 $250	$.25/sh $500
10/7/99	BW & BW	5000	2.7875 $13,937.50	1/8 $625	$.25/sh $1250
10/7/99	LO	5000	2.7875 $13,937.50	1/8 $625	$.25/sh $1250
10/7/99	RM	5000	2.8175 $14,087.50	1/8 $625	$.25/sh $1250
10/26/99	TY	25,000	3.025 $75,625	1/16 $1562.50	$.25/sh $6250
10/26/99	PE	2000	3 3/32 $6187.50	1/8 $250	$.25/sh $500[11]
				Cumulative Total Gross Sales Incentive:	$349,352.28
				Estimated Net Sales Incentive Paid to Klein:	$174,676.14[12]

11 The total gross sales incentive earned from 9/16/99 through 10/26/99 is $20,009.

12 We estimated the amount of Klein's net sales incentive by multiplying the gross sales incentive earned ($349,352.28) by .50 because the record demonstrated that Klein and Meyers typically received 50 percent of the gross sales incentive on their retail sales of Natural Health Trends stock.