



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS
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D.H. BLAIR INVESTORS MAY BE ENTITLED TO RESTITUTION

PHOENIX ... D.H. Blair & Co., Inc., a New York-based brokerage firm with lengthy regulatory history, has funded a \$2.25 million escrow account to be used for consumer refunds. This restitution fund for investors was established under a 1998 agreement with state regulators.

D.H. Blair's regulatory record is highlighted by an August 1997 censure and fine of \$2 million by the regulatory arm of the National Association of Securities Dealers (NASDR). In February 1997, Blair was censured by the New York Stock Exchange (NYSE) and fined \$250,000. In April 1998, Blair ceased retail sales operations. Its agreement with the NASDR specified that the firm pay restitution to retail customers of \$2.25 million for alleged excessive markups in connection with several public offerings.

Under the settlement agreement, D.H. Blair investors in all 50 states and the District of Columbia may be entitled to a portion of the \$2.25 million. The restitution fund applies to trades executed between January 1, 1996 and June 30, 1998. Investors who believe they may be entitled to a pro rata share of the settlement will be contacted by the firm with instructions on how to file a claim. Eligible investors will have 90 days from the date of notice to file their claims. The claims will be submitted to an expedited mediation/arbitration process run by the NASDR. The settlement with D.H. Blair was reached by a multi-state task force of securities regulators who investigated the firm's alleged sales practice abuse.

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D.H. Blair specialized in the sale of high-risk microcap stocks. Microcap companies and their stocks are shares of companies that are not well established, have a small amount of shares in public hands (also known as “thinly traded” shares) and often trade at less than \$5.00 per share. “The stock of microcaps often trade on the OTC Bulletin Board, the Pink Sheets, or the Pink Sheet Electronic Quotation Service, and are often too small to be traded on the stock exchanges or NASDAQ,” explained Mark Sendrow, Director of the Arizona Corporation Commission’s Securities Division. “Because they are not subject to the listing standards and reporting requirements of an exchange or NASDAQ, public information is often limited. Microcap fraud is favored by unscrupulous firms such as Blair,” he added. In his most recent Director’s Message, Sendrow provides an explanation of microcaps and tips for avoiding this kind of fraud. The Director’s Message is located on the Arizona Securities Division web site at www.ccsd.cc.state.az.us.

In June of 1999, Blair entered into a consent agreement with the Arizona Corporation Commission. As to the most recent developments, Commission Chairman Carl Kunasek stated, “All too often in cases like this investors receive nothing, so we think this settlement is positive for the investors involved. The NASDR mediation and arbitration forum will provide investors with the opportunity for a speedy and fair resolution of their claims.” Commissioner Jim Irvin added “The Commission is committed to protecting Arizona investors by ensuring that securities dealers comply with the requirements of the Arizona Securities Act.” Commissioner William Mundell emphasized that “the Commission intends to see that dealers meet their obligation to charge fair prices for securities and make full and fair disclosures to their customers.”

D.H. Blair investors who purchased securities during the January 1, 1996 and June 30, 1998 who do not receive a notification letter may contact the Arizona Securities Division for information at (602) 542-4242.

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