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**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK**

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<b>SECURITIES AND EXCHANGE</b>	:	
<b>COMMISSION,</b>	:	
	:	
<b>Plaintiff,</b>	:	<b>23-civ.-7250</b>
	:	
<b>v.</b>	:	
	:	<b>Jury Trial Demanded</b>
<b>MICHAEL BLUMER, JOHN KUPRIANCHIK,</b>	:	
<b>DAVID PAGE, STEVEN THOMPSON, AND</b>	:	<b>ECF Case</b>
<b>JOSEPH TODARO,</b>	:	
<b>Defendants.</b>	:	
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**COMPLAINT**

Plaintiff Securities and Exchange Commission, for its Complaint against defendants Michael Blumer (“Blumer”), John Kuprianchik (“Kuprianchik”), David Page (“Page”), Steven Thompson (“Thompson”), and Joseph Todaro (“Todaro”) (together, “Defendants”), alleges as follows:

## SUMMARY

1. From at least August 2018 through June 2022 (“the Relevant Period”), Defendants were registered representatives at Salomon Whitney LLC, a broker-dealer in Melville, New York doing business under the name SW Financial (“SW Financial”).
2. As registered representatives, Defendants each had an obligation pursuant to the federal securities laws to have a reasonable basis for the investment recommendations that they made to their customers. They failed to fulfill this obligation.
3. During the Relevant Period, Defendants recommended and executed a short-term, high-volume trading strategy in the accounts of at least sixteen retail customers (“the Affected Accounts”) without a reasonable basis. These registered representatives recommended and executed more than 2,000 trades in the Affected Accounts without regard for the high transaction costs incurred by the customers.
4. As a result of this high volume of recommended transactions and their attendant commissions and fees, it would have been virtually impossible for these customers to achieve a profit in their accounts. Indeed, the trading resulted in aggregate losses exceeding \$1,000,000 in the Affected Accounts during the Relevant Period. As a result of the excessive trading they recommended, the Defendants and SW Financial profited; they collectively received more than \$660,000 in commissions and fees from the excessive trading in the Affected Accounts.
5. The excessive trading recommended by the Defendants violated two separate obligations of the federal securities laws. First, each Defendant had an obligation to have a reasonable basis for his recommendations to clients, which included the obligation to consider the costs imposed by the recommended trades in the client accounts. Defendants each violated the antifraud provisions of the federal securities laws because they knew or recklessly

disregarded that their recommendations to their customers were unsuitable. Second, each Defendant also violated the care obligation of Regulation Best Interest (“Reg BI”) because they failed to exercise reasonable diligence, care and skill in order to have a reasonable basis to believe that the series of recommended transactions in the Affected Accounts, even if in the retail customer’s best interest when viewed in isolation, was not excessive and was in the retail customer’s best interest when taken together in light of the retail customer’s investment profile, and did not place the financial or other interest of the broker, dealer, or associated person making the series of recommendations ahead of the interest of the retail customer, from the beginning of Reg BI’s effective period, June 30, 2020, through June 2022 (“The Reg BI Period”).

### **VIOLATIONS**

6. By virtue of the conduct alleged herein, the Defendants, directly or indirectly, singly or in concert, violated and are otherwise liable for violations of Section 17(a)(1) and (3) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77q(a)(1) and (3)], Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)] and Rules 10b-5(a) and (c) [17 C.F.R. § 240.10b-5(a) and (c)] and 15l-1 [17 C.F.R. § 240.15l-1] thereunder.

7. Unless the Defendants are permanently restrained and enjoined, the Defendants will again engage in the acts, practices, transactions, and courses of business set forth in this complaint and in acts, practices, transactions, and courses of business of similar type and object.

### **JURISDICTION AND VENUE**

8. The Commission brings this action pursuant to authority conferred by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)], seeking a final judgment: (1) restraining and permanently enjoining each of the Defendants from engaging in the acts, practices and courses of business alleged against them

herein; (b) ordering each of the Defendants to disgorge all ill-gotten gains and to pay prejudgment interest on those amounts pursuant to Sections 21(d)(3), 21(d)(5) and 21(d)(7) of the Exchange Act [15 U.S.C. § 78u(d)(3), (d)(5) and (d)(7)]; and (c) imposing civil money penalties on each of the Defendants pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

9. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. 77v(a)], and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa]. The Defendants, either directly or indirectly, have made use of the means or instrumentalities of interstate commerce, of the mails, of the facilities of national securities exchanges, and/or the means or instruments of transportation or communication in interstate commerce in connection with the acts, practices, and courses of business alleged herein.

10. Venue lies in the Eastern District of New York pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], and Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Certain of the acts, practices, transactions, and courses of business alleged in this complaint occurred within the Eastern District of New York. Specifically, Defendants engaged in this violative conduct while working at SW Financial's office or their homes in the Eastern District of New York during the relevant time period.

#### **DEFENDANTS**

11. **Blumer**, age 37, resides in Staten Island, New York, and was associated with SW Financial from December 2019 to February 2023. He was registered with FINRA from 2004 through July 2023 and held FINRA Series 7 and 63 licenses.

12. **Kuprianchik**, age 57, resides in Northport, New York, and was associated with SW Financial from August 2020 to January 2022. He was registered with FINRA from 2001 through January 2022 and held FINRA Series 7 and 63 licenses. Kuprianchik was suspended and fined by FINRA in 2007 for exercising discretion in a customer account without written authorization and making exaggerated and misleading statements or claims to a customer, and in 2016 for failing to timely disclose unsatisfied tax liens on his Form U4.

13. **Page**, age 59, resides in Huntington, New York, and was associated with SW Financial from August 2018 to May 2023. He was registered with FINRA from 1997 through July 2023 and held FINRA Series 7, 9, 24, 63, and 65 licenses.

14. **Thompson**, age 25, resides in West Babylon, New York, and was associated with SW Financial from August 2020 to December 2021. He was registered with FINRA from 2020 through June 2022 and held FINRA Series 7 and 63 licenses. Thompson was barred by FINRA on September 5, 2023 from associating with any FINRA firm in all capacities for failing to respond to FINRA requests for information.

15. **Todaro**, age 32, resides in Commack, New York, and was associated with SW Financial from August 2020 to December 2021. He was registered with FINRA from 2012 through April 2023 and held FINRA Series 7 and 63 licenses. Todaro was barred by FINRA on July 20, 2023 from associating with any FINRA firm in all capacities for failing to respond to FINRA requests for information.

#### **RELATED ENTITY**

16. **SW Financial**, a New York limited liability company with its former principal place of business in Melville, New York, has been registered with the Commission as a broker-dealer since 2008. During the Relevant Period, SW Financial had more than 1,500 retail

customer accounts. On May 12, 2023, SW Financial was expelled from FINRA membership after a settlement with FINRA finding that SW Financial willfully violated Section 10(b) of the Exchange Act and Rules 10b-5 and 15c-1(a)(1) thereunder.

### **FACTS**

#### **A. Defendants' Series of Recommendations with No Reasonable Basis**

17. During the Relevant Period, and including the Reg BI Period, Defendants recommended a short-term, high-volume investment strategy to at least sixteen of their retail customers without a reasonable basis. The Proposed Defendants recommended rapid buying and selling of securities in the retail customers' brokerage accounts, often including a purchase, sale, and then subsequent repurchase of the same stock in the same week, or even on the same or consecutive days.

18. The cost-to-equity ratio is the annualized rate of return required for an investor's account to break even, taking into account the costs, such as commissions and other fees associated with the trading in the account.

19. The annual turnover ratio represents the total value of annual purchases made in the account divided by the account's average monthly balance.

20. The extremely high cost-to-equity ratio in the Affected Accounts, shown in the charts below, is indicative of excessive trading in these accounts during the Relevant Period. The cost-to-equity ratio for many of these accounts exceeded 100% annually, meaning that a customer would need an annual return of more than 100% in the investments in his or her account just to pay the commissions and fees charged by Defendants, making it virtually impossible for the customer to make a profit.

21. The high annual turnover rate in the Affected Accounts further demonstrates the excessive rate of trading recommended by the Defendants. Defendants knowingly or recklessly disregarded the fact that the high-cost pattern of frequent trading they recommended for the Affected Accounts had virtually no chance of generating any profit. The pattern of frequent trading recommended by Defendants was not suitable for or in the best interest of those customers in the Affected Accounts.

22. In addition to cost-to-equity ratios and turnover ratios, the below charts also set forth the customer losses that resulted from these trade recommendations during the Relevant Period and the Reg BI Period. These losses in the Affected Accounts exceeded \$1,000,000 in aggregate over the Relevant Period. As indicated below, while the customers suffered substantially from the excessive trading recommended by Defendants in their accounts, these registered representatives and SW Financial benefited significantly from their trade recommendations, reaping over \$660,000 in commissions and fees from these trades.

### Relevant Period

Account Rep	Customer <sup>1</sup>	Trade Period	Cost/Equity	Annual Turnover Rate	Losses	Commissions/Fees
Blumer	#1	4/20 – 7/21	401%	114	\$15,421	\$20,285
Blumer	#2	1/20 – 2/22	80%	28	\$320,057	\$270,080
Blumer	#3	7/20 – 5/21	125%	35	\$22,968	\$24,814
Page	#4	2/19 – 3/20	85%	32	\$85,269	\$19,237
Page	#5	2/19 – 8/20	28%	9	\$58,334	\$10,686
Page	#6	8/18 – 4/21	49%	20	\$54,153	\$72,602
Kuprianchik	#7	9/20 – 1/22	112%	46	\$43,001	\$19,441
Kuprianchik	#8	9/20 – 2/22	113%	41	\$39,850	\$10,802
Kuprianchik	#9	9/20 – 6/22	84%	25	\$27,951	\$21,309
Todaro	#10	9/20 – 3/21	219%	200	\$130,738	\$62,918
Todaro	#11	9/20 – 11/21	89%	57	\$39,095	\$49,734
Todaro	#12	9/20 – 12/21	133%	60	\$14,071	\$19,247
Todaro	#13	1/21 – 12/21	26%	16	\$119,943	\$29,427
Todaro/Thompson	#14	9/20 – 11/21	157%	53	\$17,665	\$17,372
Todaro/Thompson	#15	9/20 – 11/21	180%	55	\$6485	\$7681

<sup>1</sup> Defrauded customers are referred to herein by number.

Thompson	#16	9/20 – 3/21	106%	36	\$9104	\$5274
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**Reg BI Period**

Account Rep	Customer	Trade Period	Cost/Equity	Annual Turnover	Loss	Commissions /Fees
Blumer	#1	7/20 – 7/21	138%	35	+\$1058 (gain)	\$2,285
Blumer	#2	7/20 – 2/22	65%	24	\$94,840	\$153,538
Blumer	#3	7/20 – 5/21	125%	35	\$22,968	\$24,814
Page	#5	7/20 – 8/20	25%	8	\$30,183	\$4190
Page	#6	7/20 – 4/21	25%	13	\$25,523	\$5600
Kuprianchik	#7	9/20 – 1/22	112%	46	\$43,001	\$19,441
Kuprianchik	#8	9/20 – 2/22	113%	41	\$39,850	\$10,802
Kuprianchik	#9	9/20 – 6/22	84%	25	\$27,951	\$21,309
Todaro	#10	9/20 – 3/21	219%	200	\$130,738	\$62,918
Todaro	#11	9/20 – 11/21	89%	57	\$39,095	\$49,734
Todaro	#12	9/20 – 12/21	133%	60	\$14,071	\$19,247
Todaro	#13	1/21 – 12/21	26%	16	\$119,943	\$29,427
Todaro/Thompson	#14	9/20 – 11/21	157%	53	\$17,665	\$17,372
Todaro/Thompson	#15	9/20 – 11/21	180%	55	\$6485	\$7681
Thompson	#16	9/20 – 3/21	106%	36	\$9104	\$5274

23. Blumer's recommendations to Customers #1, 2 and 3 resulted in losses of approximately \$358,446 in the Affected Accounts during the Relevant Period, while he earned commissions totaling approximately \$231,788 from these recommendations, of which \$116,750 of the losses and \$178,063 in commissions were during the Reg BI Period.

24. Page's recommendations to Customers #4, 5 and 6 resulted in losses of approximately \$197,756 in the Affected Accounts during the Relevant Period, while he earned commissions totaling approximately \$54,286 from these recommendations, of which \$55,706 of the losses and \$9,790 in commissions were during the Reg BI Period.

25. Kuprianchik's recommendations to Customers #7, 8 and 9 resulted in losses of approximately \$110,802 in the Affected Accounts during the Relevant Period, while he earned commissions totaling approximately \$22,504 from these recommendations, all of which occurred during the Reg BI Period.

26. Todaro's recommendations to Customers #10, 11, 12 and 13 resulted in losses of approximately \$303,847 in the Affected Accounts during the Relevant Period, while he earned commissions totaling approximately \$60,259 from these recommendations, all of which occurred during the Reg BI Period.

27. Thompson's recommendations to Customer #17 resulted in losses of approximately \$9,104 in the Affected Accounts during the Relevant Period, while he earned commissions totaling approximately \$1,682 from these recommendations, all of which occurred during the Reg BI Period.

28. Recommendations by Todaro and/or Thompson to Customers #15 and 16, for which they were both representatives, resulted in losses of approximately \$24,150 in the Affected Accounts during the Relevant Period, while they earned commissions totaling approximately \$10,474 from these recommendations, all of which occurred during the Reg BI Period.

29. As a registered representative of a broker-dealer, each Defendant was required to have a reasonable basis to believe that the recommendations he made were suitable for their customers. A registered representative must understand the risks and rewards, and potential consequences, of the recommendations they make to their customers. Given that each Defendant recommended a pattern of frequent trading, each had an obligation to determine whether his recommendations, which imposed exceedingly high costs on the customer, were suitable and in their customers' best interests.

30. Registered representatives' obligations to make recommendations that have a "reasonable basis" and which are "suitable" for their customers are well-known in the industry,

and Defendants were well aware of those obligations from their years of work at various broker-dealers.

31. Defendants knew, or were reckless in not knowing, that they had no reasonable basis for the series of recommendations they made to the customers who held the Affected Accounts. Defendants failed to take into consideration that the high costs they imposed by the level of trading they recommended would make it virtually impossible for the Affected Accounts to achieve any profit.

32. In addition, as of June 30, 2020, Reg BI imposed an obligation on Defendants, as associated persons of a broker, when making recommendations to retail customers, to exercise reasonable diligence, care and skill to have a reasonable basis to believe that the series of recommended transactions, even if in the retail customer's best interest when viewed in isolation, is not excessive and in the retail customer's best interest when taken together in light of the retail customer's investment profile and does not place the financial or other interest of the broker, dealer, or associated person making the series of recommendations ahead of the interest of the retail customer.

33. Defendants had no reasonable basis to believe the series of recommendations they made during the Reg BI Period in the Affected Accounts were in those customers' best interest.

34. Defendants failed to take into consideration that the high costs of the series of trades they recommended made it virtually impossible for any customer to achieve even a minimal profit, and placed their own interest over the interest of their customers.

**FIRST CLAIM FOR RELIEF**

**Violations of Section 17(a)(1) of the Securities Act (All Defendants)**

35. The Commission re-alleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 25, as if fully set forth herein.

36. The Defendants, directly or indirectly, singly or in concert, in the offer or sale of securities and by the use of the means or instruments of transportation or communication in interstate commerce or by use of the mails have employed devices, schemes, or artifices to defraud.

37. By reason of the foregoing, the Defendants, directly or indirectly, singly or in concert, have violated, and unless enjoined, will again violate Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

**SECOND CLAIM FOR RELIEF**

**Violations of Section 17(a)(3) of the Securities Act (All Defendants)**

38. The Commission re-alleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 31, as if fully set forth herein.

39. The Defendants, directly or indirectly, singly or in concert, in the offer or sale of securities and by the use of the means or instruments of transportation or communication in interstate commerce or by use of the mails have engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon purchasers of securities and upon other persons.

40. By reason of the foregoing, the Defendants, directly or indirectly, singly or in concert, have violated, and unless enjoined, will again violate Section 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(3)].

**THIRD CLAIM FOR RELIEF**

**Violations of Section 10(b) of the Exchange Act and Rule 10b-5(a) and (c) Thereunder  
(All Defendants)**

41. The Commission re-alleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 31, as if fully set forth herein.

42. The Defendants, directly or indirectly, singly or in concert, in connection with the purchase or sale of securities and by the use of the means or instrumentalities of interstate commerce or of the mails, or of the facilities of a national securities exchange, have: (a) employed devices, schemes, or artifices to defraud; and/or (b) engaged in acts, transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons.

43. By reason of the foregoing, the Defendants, directly or indirectly, singly or in concert, have violated, and unless enjoined, again violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(a) and (c) thereunder [17 C.F.R. § 240.10b-5(a) and (c)].

**THIRD CLAIM FOR RELIEF**

**Violations of Exchange Act Rule 15l-1 (All Defendants)**

44. The Commission re-alleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 28 and 32 through 34, as if fully set forth herein.

45. The Defendants, directly or indirectly, singly or in concert, as associated persons of a broker or dealer, when making a recommendation of any securities transaction or investment strategy involving securities to a retail customers, failed to act in the best interest of the retail customer at the time the recommendation was made, without placing the financial or other

interest of the associated person of a broker or dealer making the recommendation ahead of the interest of the retail customer.

46. By reason of the foregoing, the Defendants, directly or indirectly, singly or in concert, have violated, and unless enjoined, will again violate Exchange Act Rule 151-1 thereunder [17 C.F.R. § 240.151-1].

**PRAYER FOR RELIEF**

WHEREFORE, the Commission respectfully requests that this Court enter a Final Judgment:

I.

Finding Defendants violated the securities laws and rules as alleged against them here;

II.

Permanently enjoining each of the Defendants and their agents, servants, employees and attorneys and all persons in active concert or participation with any of them from violating directly or indirectly, Securities Act Section 17(a) [15 U.S.C. § 77q(a)] and Exchange Act Section 10(b) [15 U.S.C. §§ 78j(b)] and Rules 10b-5 [17 C.F.R. § 240.10b-5] and 151-1 [17 C.F.R. § 240.151-1] thereunder;

III.

Ordering each of the Defendants to disgorge any ill-gotten gains obtained as a result of the violations alleged in the Complaint pursuant to Exchange Act Sections 21(d)(3), 21(d)(5) and 21(d)(7) [15 U.S.C. § 78u(d)(3), (d)(5) and (d)(7)], and ordering them to pay prejudgment interest thereon;

IV.

Ordering each of the Defendants to pay civil monetary penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]; and

V.

Granting such other and further relief as the Court may deem just and proper.

**JURY DEMAND**

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, the Commission demands that this case be tried to a jury.

Dated: September 28, 2023  
New York, NY

Respectfully submitted,

SECURITIES AND EXCHANGE COMMISSION

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