

CONGRESSIONAL INQUIRY TO S.E.C. URGENTLY NEEDED TO STAY **ABUSIVE FINRA SANCTIONS**

Two Americans Devastated By FINRA Regulatory Abuses Wrongly Barred From Industry For Life

- On December 29, 2014, in total disregard of the facts and the law, and without any allegations of harm caused to customers, the Financial Industry Regulatory Authority (“FINRA”) singled out Talman Harris and William Scholander and barred them from the securities industry for life. **Talman Harris and William Scholander are urgently seeking an SEC stay of the bar pending the appeal of the wrongful decision.**
- Harris and Scholander own a small business and are investment brokers with a spotless regulatory history. For nearly 17 years, the two professionals never had a single customer complaint about their business, ethics, or acumen.
- Talman Harris is an African American who immigrated to New York from Jamaica as a teenager, becoming a proud American citizen in April 2014. William Scholander was born in Brooklyn, New York and has worked equally hard to create an esteemed career in the securities industry.
- **Their appeal to the SEC is likely to take a year or more, during which their business would be destroyed unless the SEC issues a stay of the order pending the appeal.**

Repeated “Rubber Stamp” Abuses by FINRA Pose a Severe Public Policy Threat To American Business

- FINRA is a “non-profit” quasi-governmental organization whose CEO, Richard Ketchum, is paid \$300,000 per month in salary and benefits. FINRA controls over 600,000 investment professionals. Sanctions of these professionals are rubber stamped nearly 100% of the time within FINRA’s murky administrative appeal process, with little accountability, transparency, or oversight.
- FINRA staffer Jeffrey Bloom has harassed Harris and Scholander with repeated and frivolous inquiries for over seven years, and there are indications that this case was racially motivated.
- Egged on by fraudulent market manipulators, Jeffrey Bloom also instigated the wrongful NASDAQ delisting of Cleantech Innovations, Inc. After Congressional inquiries to the SEC, and legal action by former Senator Arlen Specter and William W. Uchimoto, Esq., the SEC commissioners unanimously reversed the delisting in 2013. (Forbes: *[“In Rare Move, SEC Reverses Nasdaq's Delisting Of Chinese Company”](#)*).

FINRA Bars Harris and Scholander After Failing To Catch A Ponzi Scheme Run By FINRA’s Star Witness

- Maureen Gearty (“Gearty”) worked intimately with Ronen Zakai (“Zakai”). The two controlled a brokerage firm called First Merger Capital (“FMC”). Gearty admitted that she was in sole control of a shadow FMC bank account into which an issuer wired her a consulting fee. In 2010, Zakai and Gearty persuaded Harris and Scholander to work as brokers at FMC under their management. At no time did Harris or Scholander take any supervisory role at FMC.

- Gearty and Zakai created a Ponzi fraud scheme called the “Social Innovation Fund,” expressly co-managed by the two. (Ex.1). Harris and Scholander vehemently refused to allow their clients to buy into the Fund, suspecting it was a fraud. (Ex.2). As a result, Gearty swiftly terminated them from FMC. (Ex.3). Harris and Scholander never sold the Fund to anyone.
- FINRA investigated Maureen Gearty and Ronen Zakai and failed to discover that they were operating an ongoing Ponzi scheme, just as Bernie Madoff had conned regulators in the past. (Ex. 4).
- Harris and Scholander urged FINRA to investigate Gearty and Zakai.
- Shockingly, FINRA staffer Jeffrey Bloom disregarded their tip and made a deal with Gearty to avoid fining her in a FINRA enforcement hearing. Gearty agreed to testify that the consulting fee she received was intended for the benefit of Harris and Scholander, contrary to clear evidence.
- The FINRA hearing officer found that Gearty’s testimony was the sole credible source of the facts, even though she admitted that she had lied under oath and changed her testimony at least twice.
- New York Attorney General Cyrus Vance caught what FINRA missed, arresting and indicting Zakai. (Ex.5). **In October 2014, Zakai was convicted of 11 felony charges, including grand larceny and fraud, proving the same fraudulent scheme from which Harris and Scholander protected their clients.** Zakai was sentenced to 4 years in prison for running the massive Ponzi scheme through the fund at FMC. (Ex. 6-7).
- In December 2014, FINRA nevertheless barred Harris and Scholander from the industry for life for failing to disclose the fee Gearty received, despite clear testimony and evidence that the payment was solely controlled and used by Gearty and Zakai.

Congressional Inquiry to the SEC is Urgently Needed to Stay the FINRA Sanctioned Bars

- ***Two Recent U.S. Circuit Court Decisions Overturned Similar FINRA Bars:*** The D.C. Circuit has recently overturned FINRA lifetime bars in these cases, where the SEC failed to fairly evaluate all of the factual determinations made by FINRA, or where the bars did not cure any ongoing harm.¹
- ***Congressional Inquiry Is Immediately Needed Urging the SEC to Stay and Reverse the FINRA Bars:*** While Harris and Scholander await a fair determination from the SEC, their productive careers, the business they have built over two decades, and the lives of their employees are being destroyed. A Congressional inquiry to the SEC is urgently needed to halt this injustice while the case awaits a fair review.

¹ *Saad v. S.E.C.*, 718 F.3d 904 (D.C. Cir. 2013) (SEC abused their discretion by affirming a wrongful FINRA bar while failing to seriously weigh mitigating circumstances); *PAZ Sec., Inc. v. S.E.C.*, 494 F.3d 1059, 1065 (D.C. Cir. 2007) (SEC abused their discretion in affirming a wrongful FINRA bar by failing to address mitigating factors, and failing to show that a bar was necessary to protect investors, as opposed to merely punish the securities representatives).

SOCIAL INNOVATION FUND I, LLC

61 Broadway
Suite 1915
New York, New York 10006

March 15, 2011

HIGHLY CONFIDENTIAL

Dear Investor:

This confidential letter (this "Letter") relates to an offering (the "Offering") of up to \$15,000,000 (subject to increase) of limited liability company interests (the "Interests") of Social Innovation Fund I, LLC, a Delaware limited liability company (the "Company"). The Company was formed to pool investment funds of its investors (each a "Subscriber" and a "Class A Member" and, collectively, "Subscribers" and "Class A Members") for the primary purpose of investing in, acquiring, holding and/or selling securities (the "Securities") of Facebook, Inc., a privately held Delaware corporation ("Facebook") and a social networking service.

The Company will be managed by Social Innovation Management, LLC, a Delaware limited liability company (the "Manager"). The investment objective of the Company is to attempt to acquire the Securities at advantageous prices and to maximize the value of the Company's investments in Facebook Securities. The Interests are being offered through First Merger Capital, Inc., acting as the Company's exclusive placement agent (the "Placement Agent"), in multiples of \$10,000, with a minimum required initial investment of \$100,000, although the Manager has discretion to accept lesser amounts.

The Class A Interests are being offered pursuant to the offering terms set forth in the Company's Confidential Private Placement Memorandum, dated March 15, 2011, as may be further amended and/or supplemented, from time to time (collectively, the "Memorandum").

After the Company has received at least \$1,000,000 of funds from Subscribers, it will hold an initial closing (the "First Closing"). After the First Closing, this offering will continue on a "rolling admission" basis until the date that is ninety (90) days from the First Closing (the "Offering Period"); provided, however, that if the Company has not completed its first purchase of Securities on or prior to May 1, 2011, unless extended by the Manager until July 1, 2011, the Company will return all funds to Subscribers without interest, deduction or setoff.

The Manager reserves the right to accept or reject any subscription to purchase Interests, in whole or in part, in its sole discretion. Subscribers must represent to the Company that they are "accredited investors" as that term is defined in Rule 501 of Regulation D ("Regulation D") as promulgated under the Securities Act of 1933, as amended (the "1933 Act") and "qualified clients" as defined in Rule 205-3 as promulgated under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), unless waived by the Manager. If you do not meet both of these

criteria (and such criteria have not been waived by the Manager), please return this Letter immediately to the Company.

The terms and conditions of this Offering, the rights, preferences, privileges and restrictions with respect to the Interests and the rights and obligations of the Company, the Manager and the Members are governed by the Company's Limited Liability Company Agreement, as may be amended from time to time (the "Operating Agreement"), the form of which is attached to the Memorandum, and the Subscription Agreement between each Subscriber and the Company (the "Subscription Agreement"), which is part of the Subscription Booklet attached hereto. The descriptions of any of such matters in this Letter are subject to and qualified in their entirety by reference to the Operating Agreement and the Subscription Agreement, as applicable.

This Letter, including all exhibits and attachments, is submitted to you on a confidential basis solely in connection with your consideration of an investment in the Company. This Letter is personal to each offeree and does not constitute an offer to any other person or to the public generally to purchase Interests in this Offering. This Letter and the information it contains is the confidential property of the Company. You must keep the information contained in this Letter confidential and may not give a copy of this Letter to anyone other than your legal and financial advisors solely for the purpose of advising you in connection with this Offering. By your acceptance of this Letter, you acknowledge and agree to the restrictions set forth herein.

This Letter and the documents provided herewith relate solely to the business of the Company and this Offering. Potential investors are encouraged to conduct their own inquiries and consult with their own advisors regarding the advisability or suitability of an indirect investment in the Company and in Facebook. No representation is made herein regarding the business, financial condition or prospects of Facebook and no person acting on behalf of the Company, the Manager or any of their affiliates is authorized to make any such statement.

THIS LETTER, WHICH INCLUDES THE EXHIBITS HERETO, SHOULD BE READ CAREFULLY BY YOU AND YOUR LEGAL AND FINANCIAL ADVISORS PRIOR TO MAKING ANY DECISION CONCERNING AN INVESTMENT IN THE COMPANY.

Sincerely yours,

SOCIAL INNOVATION FUND I, LLC

By: /s/ Ronen Zakai

Ronen Zakai, Manager of Social Innovation
Management, LLC, Manager

/s/ Maureen H. Gearty

Maureen H. Gearty, Manager of Social
Innovation Management, LLC, Manager

INSTRUCTIONS

To subscribe for Class A Interests ("Interests") in Social Innovation Fund I, LLC (the "Company"), a prospective investor must complete the subscription documents contained in this booklet in accordance with the instructions set forth herein. This entire booklet should then be returned to Social Innovation Management, LLC, the Manager of the Company (the "Manager"), at:

Maureen H. Gearty
Social Innovation Management, LLC
61 Broadway
Suite 1915
New York, New York 10006
Email: mgearty.socialinnovationfund@gmail.com
Fax: 212.401.0879

Please be sure that your name is the same in all signatures and places where it is printed on the documents. Duplicate copies of each signed document will be returned to you after your subscription is accepted and a closing with respect to your subscription for Interests has occurred.

Unless otherwise defined herein, or unless otherwise required by the context, all capitalized terms used in these Subscription Documents have the meanings ascribed to them in the Limited Liability Company Agreement of the Company ("Operating Agreement").

Subscriptions from suitable prospective investors will be accepted in the sole discretion of the Manager after receipt of all Subscription Documents, properly completed and executed.

From: Talman Harris
Sent: Monday, March 14, 2011 12:44 PM
To: Ron Zakai
Cc: Steros Christoforou; William Scholander; Maureen Gearty
Subject: RE: facebook

Follow Up Flag: Follow up
Flag Status: Flagged

Ron,

Congratulations! Thanks for sending me the Docs. Both Frank and Billy told me about it last week, and some of the brokers are asking me my opinion of it.

It seems you took my advice to get another lawyer's professional advice on how to setup the fund up legally, after we went to Emilio to hear about it, and everyone including Stacey was confused.

On another subject. I also heard about the fund last week after you told my client Daniel about it. Let it be the last time you reach out to my client, without my prior permission. (Though he was the one to call you back, after you left him a message). I know I introduced Dan to you, but you are never to mention any products to him without my permission please.

I wish you and your Social Network Team best, you all WILL do great!

Talman

From: Ron Zakai
Sent: Monday, March 14, 2011 10:26 AM
To: Talman Harris
Subject: facebook

Hi here the face facebook deal just waiting for approval

Ronen Zakai

First Merger Capital, Inc.
 The Trump Building
 40 Wall Street - 30th Floor
 New York, New York 10005
 Telephone: (212) 401-0878
 Facsimile: (212) 401-0879
 E-mail: rzakai@firstmergercapital.com

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 MERGER
 CAPITAL INC.**
Member FINRA SIPC
www.firstmergercapital.com

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From: Andrea Sawyers [asawyers@trumporg.com]
Sent: Thursday, March 31, 2011 3:38 PM
To: Michael Murza; Roy Martinez
Cc: Maureen Gearty; Marilyn Rosario
Subject: FW: security alert

Mike:

See below.

From: Maureen Gearty [mailto:MGearty@firstmergercapital.com]
Sent: Thursday, March 31, 2011 3:38 PM
To: Andrea Sawyers
Subject: security alert

Please be aware that 2 of our employee's are no longer allowed in our space.
We did not get their building pass back

We CAN NOT have them come into this office.

The employees are TALMAN HARRIS and WILLIAM SCHOLANDER

Thank you

Maureen Gearty
First Merger Capital, Inc
The Trump Building
40 Wall Street - 30th Floor
New York, New York 10005
(o) 212-419-0884
(f) 212-401-0879

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April 12, 2011

VIA First Class Mail and Email (rzakai@firstmergercapital.com; rzakai@optonline.net)

Ronen Zakai
15 Broad Street
New York, NY 10005

RE: Examination Number 2011-025-8154
First Merger Capital, Inc.

Dear Mr. Zakai,

FINRA is investigating this matter to determine whether violations of its rules or the federal securities laws have occurred. In connection with our examination, and pursuant to FINRA Rule 8210, please provide the undersigned with the following documentation and/or information.

- 1) Copies of the Escrow Account Statements, located at Signature Bank, ABA No. 026013576, Account Number 1500340920, as of April 12, 2011, opened for the Social Innovation Fund I, LLC.
- 2) Copies of all checks made payable to the Social Innovation Fund I, LLC for interests in the Social Innovation Fund I, LLC, that were delivered to The Goldstein Law Group, P.C., 61 Broadway, Suite 1915, New York, NY 10006.

This request is being made pursuant to NASD Procedural Rule 8210, which requires a member firm and persons associated (or formerly associated) with a member firm to provide information with respect to any matter involved in an investigation, complaint or proceeding. Your response must be received in this office no later than April 19, 2011. If you have any questions, you can call me at 212-858-4154. Thank you for your anticipated cooperation with this matter.

Sincerely,


Mark Ferraro
Examiner

Print

Ex. 5



Cyrus R. Vance, Jr.
District Attorney, New York County

For Immediate Release

July 18, 2013

DA VANCE ANNOUNCES INDICTMENT OF SECURITIES BROKER FOR STEALING FROM VICTIMS SEEKING TO INVEST IN FACEBOOK, INC.

Manhattan District Attorney Cyrus R. Vance, Jr., today announced the indictment of RONEN ZAKAI, 42, a former securities broker, for stealing \$705,000 from five victims seeking to invest in the initial public offering (IPO) of the social media company Facebook, Inc. The defendant is charged with Grand Larceny in the Second and Third Degrees, Securities Fraud, and Scheme to Defraud in the First Degree.[1]

"The defendant is accused of scamming his own social network – including friends and acquaintances – ahead of the country's biggest technology IPO," said District Attorney Vance. "The victims included two individuals who used their retirement savings to invest in Facebook, Inc. This case is part of my Office's Major Economic Crimes Bureau's work to ensure that the marketplace is safe for investors."

According to documents filed in court, from approximately December 2010 through January 2012, ZAKAI solicited and collected \$705,000 from five investors, with the promise of using the funds to purchase shares of Facebook, Inc., prior to the company's IPO in May 2012. ZAKAI called the venture The Social Innovation Fund; however, instead of purchasing the securities, the defendant quickly depleted the funds for his personal use. By the end of June 2012, ZAKAI had spent all of the investors' funds on various expenses – including country club membership fees, car payments, traveling, and shopping trips – and through large cash withdrawals.

Assistant District Attorney Chevon Walker is handling the prosecution of this case, under the supervision of Assistant District Attorneys Judith Weinstock, Deputy Chief of the Major Economic Crimes Bureau; Polly Greenberg, Chief of the Major Economic Crimes Bureau; and Executive Assistant District Attorney David Szuchman, Chief of the Investigation Division. Investigator Eloise Walter, Financial Investigator Hermeet Kaur, and Investigative Analyst Kyle Rodrigues assisted with the investigation.

District Attorney Vance thanked the United States Securities and Exchange Commission, New York Regional Office, for their assistance in the investigation.

[1] The charges contained in the indictment are merely allegations, and the defendant is presumed innocent unless and until proven guilty.

Defendant Information:

RONEN ZAKAI, D.O.B. 10/9/1970
Hewlett, NY

Charges:

- Grand Larceny in the Second Degree, a class C felony, 2 counts

Ex. 6

New York State Unified Court System

WebCrims

Case Details - Charges

CASE INFORMATION

Court: New York Supreme Court - Criminal Term
 Case #: 03284-2013
 Defendant: Ronen, Zakia

Charge	Detail	Disposition/Sentence
PL 155.40 01 **TOP CHARGE**	C Felony, 1 count, Arrest charge, Not an arraignment charge Description: Gr Lar 2nd:property Val>\$50000 Indictment Count: 1	Pled Guilty
PL 155.35 01	D Felony, 1 count, Not an arrest charge, Not an arraignment charge Description: Grand Larceny 3rd Degree Indictment Count: 5 Date Added: 07/15/2013	Pled Guilty
GB 0352C 06	E Felony, 1 count, Not an arrest charge, Not an arraignment charge Description: Securities Fraud >\$250 Indictment Count: 6 Date Added: 07/15/2013	Pled Guilty
PL 155.35 01	D Felony, 1 count, Not an arrest charge, Not an arraignment charge Description: Grand Larceny 3rd Degree Indictment Count: 7 Date Added: 07/15/2013	Pled Guilty
GB 0352C 06	E Felony, 1 count, Not an arrest charge, Not an arraignment charge Description: Securities Fraud >\$250 Indictment Count: 10 Date Added: 07/15/2013	Pled Guilty
PL 155.40 01	C Felony, 1 count, Arrest charge, Not an arraignment charge Description: Gr Lar 2nd:property Val>\$50000 Indictment Count: 3	Pled Guilty
GB 0352C 06	E Felony, 1 count, Not an arrest charge, Not an arraignment charge Description: Securities Fraud >\$250 Indictment Count: 4 Date Added: 07/15/2013	Pled Guilty
GB 0352C 06	E Felony, 1 count, Not an arrest charge, Not an arraignment charge Description: Securities Fraud >\$250 Indictment Count: 8 Date Added: 07/15/2013	Pled Guilty
PL 155.35 01	D Felony, 1 count, Not an arrest charge, Not an arraignment charge Description: Grand Larceny 3rd Degree Indictment Count: 9 Date Added: 07/15/2013	Pled Guilty
PL 190.65 01	E Felony, 1 count, Not an arrest charge, Not an arraignment charge Description: Scheme To Defraud-1st Degree Indictment Count: 11 Date Added: 07/15/2013	Pled Guilty
GB 0352C 06	E Felony, 1 count, Not an arrest charge, Not an arraignment charge Description: Securities Fraud >\$250 Indictment Count: 2 Date Added: 07/15/2013	Pled Guilty

DAILY NEWS

Ex. 7

CRIME

Investor steals \$705,000 of Facebook stock money

Securities broker was indicted on charges of grand larceny on Thursday

BY SHAYNA JACOBS / NEW YORK DAILY NEWS

THURSDAY, JULY 18, 2013, 10:45 PM



JESSE WARD/JESSE WARD FOR NEW YORK DAILY NEWS

Zakai allegedly used the money for personal use, such as country club memberships, car payments, traveling, and shopping trips, according to the DA.

SECURITIES broker Ronen Zakai, 42, was indicted Thursday for bilking five clients of \$705,000 for "investments" in social media giant Facebook, then never purchasing the shares.

Zakai instead spent the duped clients' stolen dough — obtained between December 2010 and January 2012 — on country club expenses, globetrotting and shopping, according to the Manhattan district attorney.

Zakai was charged with grand larceny, scheme to defraud and securities fraud and was ordered held on a \$350,000 bond.

OTHERSTORIES